

TERRITORIALITY PANEL PRINCIPAL PAPER

Territorial Intellectual Property Rights in an Age of Globalism

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I. INTRODUCTION

In recent years, efforts by the U.S. government to protect intellectual property interests in foreign countries have been front-page news. These efforts have included the negotiation of intellectual property provisions in multilateral trade agreements, as well as threatened trade sanctions against countries perceived as particularly deficient in protecting intellectual property rights. The repeated, down-to-the-wire negotiations with China are a prominent example of the latter approach. The goal of both approaches has been to induce foreign countries to improve or better enforce their own intellectual property laws.

Attempts to induce changes in foreign law are not the only possible means of protecting U.S. intellectual property interests abroad. Another option is extraterritorial application of U.S. intellectual property laws.¹ Courts in the United States are increasingly being asked to apply the federal patent, copyright, and trademark statutes to conduct that takes place outside of the country's territorial boundaries. There are several likely reasons for this phenomenon: U.S. companies are doing more business abroad; U.S. intellectual

1. For purposes of this Article, I generally use the term "extraterritorial" to refer to the application of a nation's laws to conduct occurring outside of the nation's territory. I do so with the recognition that there are other possible definitions. See Larry Kramer, *Vestiges of Beale: Extraterritorial Application of American Law*, 1991 Sup. Ct. Rev. 179, 181 & n.9 [hereinafter *Kramer, Vestiges of Beale*] (using essentially the same definition but also noting that the meaning of the term is "purely conventional" and "ha[s] therefore been used in different ways at different times").

property laws are often more protective than those of other countries; there has been a heightened focus in recent years on the value of intellectual property as a business asset; and technology has facilitated the transmission and duplication of intellectual property around the world.² To these factors, one could certainly add the general attractiveness to plaintiffs of U.S. courts, due to, for example, broad discovery rules and high damage awards.³

These requests for extraterritorial application of intellectual property laws come at a time when the general rules governing the extraterritorial application of federal statutes are in a state of uncertainty.⁴ The Supreme Court has in recent years reaffirmed a strict territorial presumption: federal statutes are not to be construed to apply to conduct abroad absent a clear indication that Congress intended that effect.⁵ But the Court appears to be inconsistent in its application of the presumption, failing to invoke it, for example, in the context of antitrust law.⁶ Moreover, commentators have questioned the continued legitimacy of the presumption in light of changes in international law, choice-of-law principles, and U.S. interests.⁷

This uncertainty in the rules governing extraterritoriality is reflected in cases involving intellectual property. Courts and com-

2. For a discussion of these and other changes, see Kenneth W. Dam, *The Growing Importance of International Protection of Intellectual Property*, 21 *Int'l Law* 627 (1987); Michael L. Doane, *TRIPS and International Intellectual Property Protection in an Age of Advancing Technology*, 9 *Am. U. J. Int'l L. & Pol'y* 465 (1994); Marshall A. Leaffer, *Protecting United States Intellectual Property Abroad: Toward a New Multilateralism*, 76 *Iowa L. Rev.* 273 (1991); J. Thomas McCarthy, *Intellectual Property—America's Overlooked Export*, 20 *Dayton L. Rev.* 809 (1995).

3. See Gary B. Born, *International Civil Litigation in United States Courts* 3-5 (3d ed. 1996) [hereinafter Born, *International Civil Litigation*].

4. See generally *id.* at 545-615 (discussing history and current status of rules governing extraterritorial application of federal statutes).

5. See *EEOC v. Arabian Am. Oil Co.*, 499 U.S. 244, 248, 258 (1991) (*Aramco*).

6. See *Hartford Fire Ins. Co. v. California*, 509 U.S. 764, 794-96 (1993) (applying Sherman Act to conduct abroad without referring to presumption); but cf. *id.* at 814 ("[I]f the question were not governed by precedent, it would be worth considering whether that presumption [against extraterritoriality] controls the outcome here.") (Scalia, J., dissenting); see also Larry Kramer, *Extraterritorial Application of American Law After the Insurance Antitrust Case: A Reply to Professors Lowenfeld and Trimble*, 89 *Am. J. Int'l L.* 750, 753 (1995) [hereinafter Kramer, *Extraterritorial Application*] (noting that the majority in *Hartford Fire* "failed even to mention, much less to distinguish, *Aramco*").

7. See, e.g., Gary B. Born, *A Reappraisal of the Extraterritorial Reach of U.S. Law*, 24 *Law & Pol'y Int'l Bus.* 1 (1992) [hereinafter Born, *A Reappraisal*]; Kramer, *Vestiges of Beale*, *supra* note 1; Jonathan Turley, "When in Rome": Multinational Misconduct and the Presumption Against Extraterritoriality, 84 *Nw. U. L. Rev.* 598 (1990) [hereinafter Turley, "When in Rome"].

mentators often state that patent and copyright laws have no extraterritorial effect.⁸ Nevertheless, these laws in fact are applied in some situations to conduct occurring in foreign countries. By contrast, courts and commentators often claim that trademark law *does* have extraterritorial effect.⁹ Yet courts often limit its extraterritorial reach by applying judicially-created balancing factors, which vary to some extent among the federal judicial circuits. Despite the overlap of these approaches, they do not converge. In particular, courts generally hold that patent and copyright laws do not apply to conduct abroad absent some act of infringement within the United States, but courts do not impose the same requirement for the application of trademark law.¹⁰ Trademark law is therefore "extraterritorial" in a way that patent and copyright law is not. The reason for this differential treatment of trademark law is far from clear.

Although there has been much commentary on the legitimacy of the presumption against extraterritoriality and some commentary on the territorial reach of intellectual property law, there has been little attempt to tie these two strands of scholarship together. In addition, most discussions of the territorial reach of intellectual property law focus primarily on only one of the three principal forms of intellectual property. As a result, there has been little consideration of the similarities and differences in the way that the three are treated. This Article is an attempt to address those gaps in the literature. It is also an attempt to emphasize the separation-of-powers justification for the presumption against extraterritorial-

8. For patent law, see, e.g., *Deepsouth Packing Co. v. Laitram Corp.*, 406 U.S. 518, 531 (1972) ("Our patent system makes no claim to extraterritorial effect . . ."); 5 Donald S. Chisum, *Chisum on Patents* § 16.05, at 16-233 (1997) (stating that a U.S. patent "confers no protection as to acts taking place in foreign countries"). For copyright law, see, e.g., *Subafilms, Ltd. v. MGM-Pathe Communications Co.*, 24 F.3d 1088, 1093 (9th Cir. 1994) (referring to the "undisputed axiom that United States copyright law has no extraterritorial application"); 4 Melville B. Nimmer & David Nimmer, *Nimmer on Copyright* § 17.02, at 17-20 (1997) [hereinafter *Nimmer on Copyright*] ("[C]opyright laws do not have any extraterritorial operation.").

9. See, e.g., *Sterling Drug, Inc. v. Bayer AG*, 14 F.3d 733, 745 (2d Cir. 1994) ("It is well-established that United States courts have jurisdiction to enforce the Lanham [Trademark] Act extraterritorially in order to prevent harm to United States commerce. The Supreme Court divined such a Congressional intent to project the Act extraterritorially in *Steele v. Bulova Watch Co.*, 344 U.S. 280, 97 L. Ed. 319, 73 S. Ct. 252 (1952)."); 4 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 29.57, at 29-101 (4th ed. 1996) [hereinafter *McCarthy on Trademarks and Unfair Competition*] (stating that the Supreme Court in *Steele* "liberally interpret[ed] the extraterritorial sweep of American trademark law").

10. See *infra* sections III.A-C.

ity, a justification that has been given relatively little attention by critics of the presumption. My general conclusion is that, for separation-of-powers and other reasons, the U.S. judiciary should presume that none of the federal intellectual property statutes applies to conduct that takes place in other countries.

The intersection between intellectual property law and the presumption against extraterritoriality is of particular importance today. As noted above, there is an increasing number of transnational intellectual property cases being litigated in U.S. courts. In addition, the political branches of the U.S. government have been especially active in recent years in efforts to obtain international intellectual property protection. Finally, intellectual property law itself has been changing. In particular, there has been a growing overlap of the three principal types of intellectual property protection, something that further brings into question the differential treatment of the territorial scope of these protections.

I begin in Part II by discussing the general presumption against extraterritoriality. I first trace its nature and origins, with particular emphasis on the Supreme Court's 1991 *Aramco* decision. I then consider the various justifications that the Court has articulated over the years in support of the presumption. Finally, I briefly summarize some of the academic criticism of the presumption.

In Part III, I describe the state of the law with regard to the extraterritorial application of patent, copyright, and trademark law. In particular, I focus on the principal differences in the way that trademark law is treated as compared with the other two areas of intellectual property law. As I explain, this differential treatment can be traced largely to a 1952 Supreme Court decision, *Steele v. Bulova Watch Co.*¹¹ Analyzing this decision first on a purely doctrinal level, I conclude that its reasoning is difficult to reconcile with the reasoning of the subsequent *Aramco* decision.

In Part IV, I consider whether the extraterritorial treatment of trademark law is supportable either because of the substantive nature of trademark law or because of the erosion of the justifications for the presumption against extraterritoriality. I conclude that it is not supportable on either ground. Although there are important differences between trademark law and patent and copyright law, these differences do not appear to support a broader extraterritorial reach for trademark law. Moreover, the territoriality of trademark law, both as a matter of international law and as a

11. 344 U.S. 280 (1952).

matter of U.S. law, has been well established since the rejection of the so-called "universality" theory early in this century. As for the presumption against extraterritoriality, although some of the justifications for it may have lost force in general, the presumption is in fact consistent with and, indeed, impliedly mandated by, the international law regime governing intellectual property rights. In addition, the presumption is supported by principles of separation of powers, principles that have particular force in the area of intellectual property law in light of recent developments.

In Part V, I discuss some alternate approaches to reaching foreign conduct that has connections with or produces effects in the United States: political branch action, application of the contributory infringement doctrine, and increased receptivity to claims based on foreign intellectual property laws. As I discuss, these approaches allow for the regulation of extraterritorial conduct in appropriate circumstances, without incurring many of the problems associated with extraterritorial application of U.S. law by the judiciary.

II. THE PRESUMPTION AGAINST EXTRATERRITORIALITY

In this Part, I begin by outlining the nature and origins of the presumption against extraterritoriality, with particular emphasis on the Supreme Court's 1991 *Aramco* decision. I then examine the justifications that the Supreme Court has articulated in support of the presumption. Finally, I briefly summarize some of the recent academic criticism of the presumption.

A. *The Presumption*

The Supreme Court has stated that U.S. courts are to presume "that legislation of Congress, unless a contrary intent appears, is meant to apply only within the territorial boundaries of the United States."¹² To overcome this presumption, the party claiming extraterritorial application must show "the affirmative intention of the Congress clearly expressed."¹³ This territorial presumption is only a canon of statutory construction; it is generally accepted

12. *Aramco*, 499 U.S. at 248 (quoting *Foley Bros., Inc. v. Filardo*, 336 U.S. 281, 285 (1949)).

13. *Id.* (quoting *Benz v. Compania Naviera Hidalgo, S.A.*, 353 U.S. 138, 147 (1957)).

that Congress has substantial power to legislate extraterritorially, especially with respect to U.S. citizens.¹⁴

The presumption against extraterritoriality has been applied by U.S. courts since early in the nation's history. One of the first examples is *United States v. Palmer*.¹⁵ There, the issue was whether a federal piracy statute extended to a robbery committed on the high seas by foreign citizens on board a foreign ship. The Supreme Court began by observing that Congress had the constitutional power, pursuant to the "define and punish" clause of the Constitution,¹⁶ to regulate the conduct in question.¹⁷ The only issue, said the Court, was whether Congress had in fact done so. The Court acknowledged that the words of the statute, which purported to cover "any person or persons," were "broad enough to comprehend every human being."¹⁸ The Court nevertheless concluded that the statute did not apply to the defendants' conduct. Among other things, the Court stated that mere "general words" should not be construed to cover the conduct of foreign citizens occurring outside of the U.S. territory.¹⁹

Although in *Palmer* the presumption was formulated as one against the application of federal laws to *foreigners* outside the United States, over time it came to apply to U.S. citizens as well. Indeed, it was applied this way in the famous *American Banana*²⁰ decision, in which the Supreme Court held that the Sherman Anti-trust Act did not extend to anti-competitive conduct allegedly committed by a U.S. company in Panama and Costa Rica. The Court said that, "in case of doubt," a federal statute should be construed "to be confined in its operation and effect to the territorial limits

14. See *id.*; *Foley Bros.*, 336 U.S. at 284; *Blackmer v. United States*, 284 U.S. 421, 437 (1932). For a discussion of possible due process limits on Congress's power to legislate extraterritorially, see Lea Brilmayer & Charles Norchi, *Federal Extraterritoriality and Fifth Amendment Due Process*, 105 Harv. L. Rev. 1217 (1992). But see A. Mark Weisburd, *Due Process Limits on Federal Extraterritorial Legislation?*, 35 Colum. J. Transnat'l L. 379 (1997) (arguing that there are no due process limits on the territorial reach of federal legislation). For constitutional limits on the extraterritorial application of *state* law, see *Phillips Petroleum Co. v. Shutts*, 472 U.S. 797, 818-23 (1985); *Allstate Ins. Co. v. Hague*, 449 U.S. 302, 308-13 (1981) (plurality opinion); and *Home Ins. Co. v. Dick*, 281 U.S. 397, 408 (1930).

15. 16 U.S. 610 (1818).

16. See U.S. Const. art. I, § 8, cl. 10 ("Congress shall have Power . . . [t]o define and punish Piracies . . . committed on the high Seas . . .").

17. *Palmer*, 16 U.S. at 630.

18. *Id.* at 631.

19. *Id.* at 632-33.

20. *American Banana Co. v. United Fruit Co.*, 213 U.S. 347 (1909).

over which the lawmaker has general and legitimate power.”²¹ As a result, even statutes with provisions that are “universal [in] scope,” such as “[e]very contract,” or “[e]very person,” will be construed as applying only to conduct within U.S. territory.²²

After *American Banana*, the Supreme Court applied the presumption in a number of cases involving labor-related statutes.²³ Lower courts applied the presumption as well to certain other statutes, most notably statutes relating to environmental protection.²⁴ Despite what some commentators describe as an erosion of the presumption in other areas of law during this period,²⁵ the Supreme Court strongly reaffirmed the presumption in 1991, in the *Aramco* case.²⁶

Aramco concerned the extraterritoriality of Title VII of the Civil Rights Act of 1964.²⁷ The complainant, Boureslan, was a naturalized U.S. citizen who had worked for a U.S. company in Saudi Arabia. He claimed that the company had harassed and ultimately discharged him on account of his race, religion, and national origin, in violation of Title VII. The parties agreed that Congress had the power to extend Title VII beyond the territorial boundaries of the United States.²⁸ The issue, explained the Court, was “[w]hether Congress has in fact exercised that authority.”²⁹ In deciding that issue, the Court began by reciting the presumption against extraterritoriality, which it described as a “longstanding principle of American law.”³⁰ This presumption, said the Court, requires that federal statutes be construed to apply only within the territorial

21. *Id.* at 357.

22. *Id.*

23. See, e.g., *McCulloch v. Sociedad Nacional de Marineros de Honduras*, 372 U.S. 10, 19-22 (1963) (National Labor Relations Act); *Benz v. Compania Naviera Hidalgo, S.A.*, 353 U.S. 138, 143-46 (1957) (Labor Management Relations Act); *Foley Bros., Inc. v. Filardo*, 336 U.S. 281, 285 (1949) (Eight Hour Law); *New York Cent. R.R. Co. v. Chisholm*, 268 U.S. 29, 31-32 (1925) (Employers' Liability Act); *Sandberg v. McDonald*, 248 U.S. 185, 195-96 (1918) (Seaman's Act).

24. See, e.g., *Natural Resources Defense Council v. Nuclear Regulatory Comm'n*, 647 F.2d 1345, 1364-65 (D.C. Cir. 1981) (National Environmental Policy Act); *United States v. Mitchell*, 553 F.2d 996, 1002-04 (5th Cir. 1977) (Marine Mammal Protection Act).

25. See *infra* notes 63-67 and accompanying text.

26. See 499 U.S. 244, 258 (1991).

27. 42 U.S.C. §§ 2000e-2000e-17 (1994).

28. See 499 U.S. at 248 (“Both parties concede, as they must, that Congress has the authority to enforce its laws beyond the territorial boundaries of the United States.”).

29. *Id.*

30. *Id.*

borders of the United States unless an “affirmative intention of the Congress clearly expressed” can be found to the contrary.³¹

Boureslan did not dispute the existence of the presumption. Rather, he argued that there was clear evidence in Title VII that Congress intended it to apply extraterritorially. First, he pointed out that Title VII has broad jurisdictional language, purporting to reach all those who employ fifteen or more employees and are “engaged in an industry affecting commerce.”³² The word “commerce” in turn is defined to include acts “between a State and any place outside thereof.”³³ This showed, said Boureslan, that Title VII was intended to apply outside the United States. In rejecting this argument, the Court said that the presumption against extraterritoriality cannot be overcome by mere broad jurisdictional language, particularly when it is “boilerplate language which can be found in any number of congressional Acts.”³⁴

The second statutory provision relied upon by Boureslan was Title VII’s “alien exemption provision,” which stated that Title VII “shall not apply to an employer with respect to the employment of aliens outside any State.”³⁵ Boureslan contended that the negative inference of this provision was that Title VII did apply to the employment of U.S. citizens abroad. In rejecting this argument, the Court expressed concern that Boureslan’s argument logically would require application of the statute even to foreign employers of U.S. citizens, as there was no language in the statute limiting it to U.S. employers.³⁶ For this and other reasons, the Court concluded that there was not “sufficient affirmative evidence that Congress intended Title VII to apply abroad.”³⁷

B. *Reasons for the Presumption*

There is no definitive account of the justifications for the presumption against extraterritoriality. A review of the Supreme Court’s extraterritoriality decisions, however, reveals that the Court has articulated at least five justifications for the presumption: international law, international comity, choice-of-law princi-

31. *Id.* (quoting *Benz*, 353 U.S. at 147).

32. *Id.* at 249.

33. *Id.*

34. *Id.* at 251.

35. *Id.* at 253.

36. *Id.* at 255.

37. *Id.* at 259.

ples, likely congressional intent, and separation-of-powers considerations.

First, the Court has stated that, if a statute is ambiguous regarding extraterritoriality, the Court is "unwilling to ascribe to [Congress] a policy which would raise difficult issues of international law."³⁸ Although the precise rules have been the subject of controversy, it has long been thought that customary international law³⁹ imposes some limitations on the authority of nations to apply their laws to persons or activities outside their borders.⁴⁰ In the case of a clear conflict between these international law limitations and a federal statute, U.S. courts will apply the statute.⁴¹ Courts nevertheless take account of such international law limitations because of a longstanding canon of construction that federal statutes are to be

38. *Id.* at 255; see also *Weinberger v. Rossi*, 456 U.S. 25, 32 (1982) (reciting international law justification); *McCulloch v. Sociedad Nacional de Marineros de Honduras*, 372 U.S. 10, 21-22 (1963) (same).

39. Customary international law is the law of the international community that "results from a general and consistent practice of states followed by them from a sense of legal obligation." Restatement (Third) of the Foreign Relations Law of the United States § 102(2) (1987). For a discussion of the relationship between customary international law and U.S. law, see Curtis A. Bradley & Jack L. Goldsmith, *Customary International Law as Federal Common Law: A Critique of the Modern Position*, 110 Harv. L. Rev. 815 (1997).

40. See Restatement (Third) of Foreign Relations Law, *supra* note 39, pt. IV, ch. 1, Introductory Note ("International law has long recognized limitations on the authority of states to exercise jurisdiction to prescribe in circumstances affecting the interests of other states."); see also Andreas F. Lowenfeld, *Conflict, Balancing of Interests, and the Exercise of Jurisdiction to Prescribe: Reflections on the Insurance Antitrust Case*, 89 Am. J. Int'l L. 42, 47 (1995) [hereinafter Lowenfeld, *Conflict*] ("[I]t is now clear beyond doubt that the Supreme Court—majority and minority—understands that the reach of a nation's law is a subject of *international law*—public customary international law."). The Starke treatise on international law purports to deny this, see I.A. Shearer, *Starke's International Law* 183 (11th ed. 1994) ("International law sets little or no limitation on the jurisdiction which a particular state may arrogate to itself."), but then, in an apparent contradiction, proceeds to discuss the permissible bases under international law for exercising prescriptive jurisdiction over extraterritorial matters. See *id.* at 184-217.

41. See, e.g., *United States v. Martinez-Hidalgo*, 993 F.2d 1052, 1056 (3d Cir. 1993); *United States v. Yunis*, 924 F.2d 1086, 1091 (D.C. Cir. 1991); see also Lea Brilmayer, *International Law in American Courts: A Modest Proposal*, 100 Yale L.J. 2277, 2287 n.54 (1991) ("It seems well established that Congress may, if it chooses, specify greater extraterritorial scope than international law would allow, since Congress generally is held to have the power to violate international law."); Harold G. Maier, *Extraterritorial Jurisdiction at a Crossroads: An Intersection Between Public and Private International Law*, 76 Am. J. Int'l L. 280, 291 (1982) ("[W]henver Congress acts within its broad constitutional powers and clearly intends that the statute in question shall be applied in the situation before the court, the court must apply the legislation even though that application would violate international law.").

construed, where fairly possible, so as not to violate international law.⁴²

A second justification for the presumption relates to the doctrine of international comity. Although sometimes treated as a principle of international law, the doctrine of international comity “more often has been regarded as something short of a legal limitation, more like an act of altruistic deference or an acknowledgment of superior foreign interest (or lesser U.S. interest) in the matter at hand.”⁴³ Consistent with that doctrine, the Court has stated that the presumption “serves to protect against unintended clashes between our laws and those of other nations which could result in international discord.”⁴⁴

In at least one decision, the Court has referred to a third justification—consistency with the domestic choice-of-law principles applied with respect to state law, such as state tort law. In the nineteenth and early twentieth centuries, the accepted choice-of-law rule for torts was *lex loci delicti*—apply the law of the place of the wrongful conduct.⁴⁵ Referring to this rule, the Court in *American Banana* justified its application of the presumption by stating that “the general and almost universal [choice-of-law] rule is that the character of an act as lawful or unlawful must be determined wholly by the law of the country where the act is done.”⁴⁶

42. See Restatement (Third) of Foreign Relations Law, *supra* note 39, § 114 (“Where fairly possible, a United States statute is to be construed so as not to conflict with international law”); *Murray v. Schooner Charming Betsy*, 6 U.S. (2 Cranch) 64, 118 (1804) (“[A]n act of congress ought never to be construed to violate the law of nations if any other possible construction remains”); see also *Brilmayer & Norchi*, *supra* note 14, at 1219 n.11 (“International law is relevant in such cases because, when Congress has not expressly provided territorial reach, it is presumed to legislate in accordance with international law.”).

43. Barry Carter & Phillip R. Trimble, *International Law* 738 (2d ed. 1995). For similar descriptions of comity, see *Hilton v. Guyot*, 159 U.S. 113, 163-64 (1895), and *Somportex Ltd. v. Philadelphia Chewing Gum Corp.*, 453 F.2d 435, 440 (3d Cir. 1971).

44. *Aramco*, 499 U.S. at 248; see also *American Banana Co. v. United Fruit Co.*, 213 U.S. 347, 356 (1909) (“For another jurisdiction, if it should happen to lay hold of the actor, to treat him according to its own notions rather than those of the place where he did the acts, not only would be unjust, but would be an interference with the authority of another sovereign, contrary to the comity of nations, which the other state concerned justly might resent.”).

45. See Restatement (First) of Conflict of Laws §§ 1, 377, 378 (1934); see also Joseph Story, *Commentaries on the Conflict of Laws* § 20 (2d ed. 1841) (“[N]o State or nation can, by its laws, directly affect, or bind property out of its own territory, or bind persons not resident therein”). The Restatement (First) of Conflict of Laws, in section 377, defined the place of the wrongful conduct as the place “where the last event necessary to make an actor liable for an alleged tort takes place.”

46. *American Banana*, 213 U.S. at 356.

A fourth justification is that the presumption against extraterritoriality is, at least in theory, designed to assist the courts in implementing likely congressional intent.⁴⁷ In this regard, the Supreme Court has justified the presumption by asserting that "Congress generally legislates with domestic conditions in mind."⁴⁸ Assuming that this empirical assertion is correct, the presumption arguably promotes the interpretation of federal statutes in a manner consistent with the scope of Congress's regulatory intent.

A final justification for the presumption stems from separation-of-powers considerations. The Constitution, of course, divides power among the three branches of the federal government. As part of this division of power, the Constitution assigns principal policymaking authority, as well as principal authority over foreign affairs, to the legislative and executive branches rather than to the judicial branch. In several decisions applying the presumption, the Supreme Court has expressed the view that the determination of whether and how to apply federal legislation to conduct abroad raises difficult and sensitive policy questions that tend to fall outside both the institutional competence and constitutional prerogatives of the judiciary.⁴⁹

47. See *Aramco*, 499 U.S. at 248 ("This 'canon of construction . . . is a valid approach whereby unexpressed congressional intent may be ascertained.'") (quoting *Foley Bros., Inc. v. Filardo*, 336 U.S. 281, 285 (1949)).

48. *Smith v. United States*, 507 U.S. 197, 204 n.5 (1993); see also *Aramco*, 499 U.S. at 248 ("[W]e must presume [Congress] 'is primarily concerned with domestic conditions.'") (quoting *Foley Bros.*, 336 U.S. at 285).

49. See, e.g., *Aramco*, 499 U.S. at 259 ("Congress . . . [is] able to calibrate its provisions in a way that we cannot."); *McCulloch v. Sociedad Nacional de Marineros de Honduras*, 372 U.S. 10, 19, 21 (1963) (applying presumption because of concern with, among other things, "embarrassment in foreign affairs" and stating that "the arguments should be directed at Congress rather than to us"); *Benz v. Compania Naviera Hidalgo, S.A.*, 353 U.S. 138, 147 (1957) (applying presumption to avoid "run[ning] interference in such a delicate field [as] international relations," and because Congress "alone has the facilities necessary to make fairly such an important policy decision"); see also *NLRB v. Catholic Bishop of Chicago*, 440 U.S. 490, 500 (1979) (noting that the Court in *McCulloch* "declined to read the National Labor Relations Act so as to give rise to a serious question of separation of powers which in turn would have implicated sensitive issues of the authority of the Executive over relations with foreign nations"); Jonathan Turley, *Dualistic Values in the Age of International Legisprudence*, 44 *Hastings L.J.* 185, 219 (1993) [hereinafter Turley, *Dualistic Values*] ("Courts often defend the presumption against extraterritoriality on the grounds that extraterritorial regulation is an area laden with political controversy and difficult policy questions.").

C. *Academic Criticism of the Presumption*

Several commentators have argued that, even if the presumption against extraterritoriality may have made sense in the past, its rationales have been undermined by recent events.⁵⁰ As one such commentator states, "the world in which a presumption against extraterritoriality made sense is gone."⁵¹ In particular, these commentators have challenged the continued validity of the international law, choice-of-law, and congressional intent justifications for the presumption.⁵² They have also cited to what they see as an erosion of the presumption in several areas of U.S. law.

Critics of the presumption first point out that the acceptable grounds under international law for exercising prescriptive jurisdiction have expanded during this century.⁵³ In particular, there is now substantial agreement that nations may, under certain circumstances, regulate extraterritorial conduct that has effects within their territory.⁵⁴ As a result, the critics argue that a strict territorial presumption is no longer needed to avoid violations of international law.

These commentators also note that there have been substantial changes in domestic choice-of-law rules.⁵⁵ In the 1930s and 1940s, the territorial approach to choice of law came under heavy attack by the legal realists.⁵⁶ In the 1950s and 1960s, a prominent scholar,

50. See articles cited *supra* note 7.

51. Kramer, *Vestiges of Beale*, *supra* note 1, at 184.

52. These commentators also challenge the comity justification, but not because of any recent changes. For discussion of this criticism, see *infra* text accompanying notes 253-257. With the exception of Professor Turley, critics of the presumption have generally ignored the separation-of-powers justification. For a discussion of this justification, and Turley's views about it, see *infra* text accompanying notes 225-280.

53. See Born, *A Reappraisal*, *supra* note 7, at 61-71; Kramer, *Vestiges of Beale*, *supra* note 1, at 192; Turley, "When in Rome," *supra* note 7, at 659.

54. See Restatement (Third) of Foreign Relations Law, *supra* note 39, § 402(1)(c); Restatement (Second) of the Foreign Relations Law of the United States § 18 (1965). In one well-known case in which this principle was applied, the Permanent Court of International Justice stated:

[T]he courts of many countries, even of countries which have given their criminal legislation a strictly territorial character, interpret criminal law in the sense that offences, the authors of which at the moment of commission are in the territory of another state, are nevertheless to be regarded as having been committed in the national territory, if one of the constituent elements of the offence, and more especially its effects, have taken place there.

The S.S. "Lotus" (Fr. v. Turk.), 1927 P.C.I.J. (ser. A) No. 10, at 23 (Sept. 7).

55. See Born, *A Reappraisal*, *supra* note 7, at 27, 71-74; Kramer, *Vestiges of Beale*, *supra* note 1, at 192, 208-11.

56. See Born, *A Reappraisal*, *supra* note 7, at 27; Kramer, *Vestiges of Beale*, *supra* note 1, at 208-09.

Brainerd Currie, advocated replacing the territorial approach with "interest analysis," which examines the policies of the laws in question and, in light of those policies, the respective interests of the states in applying their laws to the particular situation.⁵⁷ In 1971, the *Restatement (Second) of Conflict of Laws* advocated a "most significant relationship" test, which involves the consideration of a variety of balancing factors to determine which state has the greater relationship to an issue.⁵⁸ Today, a majority of states have rejected the *lex loci delicti* rule for choice of law in tort cases and have adopted instead a variant of either the "most significant relationship" test or (in the case of a few states) the "interest analysis" test.⁵⁹ In light of these changes, critics of the presumption argue that it makes no sense to continue applying what is in effect a territorial approach to choice of law with regard to federal statutes.

The commentators further allege changes in the legislative focus of Congress.⁶⁰ As one such commentator explained, "The growing significance of international trade and investment has increasingly led the United States and other nations to devote regulatory attention to conduct occurring abroad."⁶¹ Although these commentators do not support this assertion with empirical data, it is easy to think of recent examples that do indeed seem to suggest an increased focus by Congress on extraterritorial matters.⁶² For this

57. Brainerd Currie, *Selected Essays on the Conflict of Laws* 177-87 (1963).

58. See *Restatement (Second) of Conflict of Laws* §§ 6, 145 (1971).

59. See Born, *International Civil Litigation*, *supra* note 3, at 635. Only approximately thirteen states continue to follow the territorial approach. See *id.* at 635 n.172. It is worth noting, however, that there has been a resurgence of interest in recent years, at least among commentators, in territorial approaches to choice of law. See, e.g., Perry Dane, *Vested Rights, "Vestedness," and Choice of Law*, 96 *Yale L.J.* 1191, 1192 (1987) (noting that "[t]he choice of law revolution is under attack"); Harold L. Korn, *The Choice-of-Law Revolution: A Critique*, 83 *Colum. L. Rev.* 772, 776 (1983) (criticizing movement away from territorial approach to choice of law); Douglas Laycock, *Equal Citizens of Equal and Territorial States: The Constitutional Foundations of Choice of Law*, 92 *Colum. L. Rev.* 249, 253-54 (1992) (noting the recent academic "assaults" on modern choice-of-law approaches). Interestingly, as Professor Laycock has observed, "The territorialist critics of interest analysis include both conflicts scholars and constitutional scholars. The nonterritorial choice-of-law theories have all come from conflicts scholars." *Id.* at 254.

60. See Born, *A Reappraisal*, *supra* note 7, at 74; Turley, "When in Rome," *supra* note 7, at 657-59.

61. Born, *A Reappraisal*, *supra* note 7, at 74.

62. Recent examples include the Helms-Burton Act, Pub. L. No. 104-114, § 302, 110 Stat. 785, 815 (1996) (providing a cause of action against anyone in the world trafficking in the property of U.S. citizens confiscated by Cuba); the Iran-Libya Sanctions Act of 1996, Pub. L. No. 104-172, §§ 5-6, 110 Stat. 1541, 1543-45 (allowing for the imposition of U.S. trade and other sanctions against anyone in the world making certain investments in Iran and Libya); and the War Crimes Act of 1996, Pub. L. No. 104-192, § 2401(a)-(b), 110 Stat.

reason, the commentators argue that a territorial presumption no longer reflects likely congressional intent.

In addition to attacking its justifications, critics of the presumption point out that the courts have construed several federal statutes as having extraterritorial effect despite the absence of clear extraterritorial language.⁶³ This is evidence, they argue, of an erosion of the presumption in U.S. law. Of special relevance to this Article, they cite in passing to trademark law (but not to patent or copyright law) as an example of this erosion.⁶⁴ The other principal examples are admiralty law,⁶⁵ antitrust law,⁶⁶ and securities law.⁶⁷

2104, 2104 (allowing for the imposition of criminal penalties against anyone who commits certain war crimes anywhere in the world if "the person committing such breach or the victim of such breach is a member of the Armed Forces of the United States or a national of the United States"). In all of these examples, of course, the presumption against extraterritoriality presumably would be rebutted by the language of the statutes, which is expressly directed at conduct beyond U.S. borders. But see W. Fletcher Faurey, Comment, *The Helms-Burton Act: The Effect of International Law on Domestic Implementation*, 46 *Am. U. L. Rev.* 1289, 1329-30 (1997) (arguing that Title III of Helms-Burton Act does not overcome presumption against extraterritoriality).

63. See Born, *A Reappraisal*, supra note 7, at 29-54; Kramer, *Vestiges of Beale*, supra note 1, at 190-97; Turley, "When in Rome," supra note 7, at 608-17.

64. See Born, *A Reappraisal*, supra note 7, at 39-40; Kramer, *Vestiges of Beale*, supra note 1, at 193-94.

65. In a case involving the Jones Act, the Supreme Court treated the issue of extraterritoriality as if it were simply a matter of weighing the modern choice-of-law factors, without referring to the presumption against extraterritoriality. See *Lauritzen v. Larsen*, 345 U.S. 571, 583 (1953) ("We therefore review the several factors which, alone or in combination, are generally conceded to influence choice of law to govern a tort claim, particularly a maritime tort claim, and the weight and significance accorded them."); see also *Romero v. International Terminal Operating Co.*, 358 U.S. 354, 381-84 (1959) (applying *Lauritzen* test to claims under both Jones Act and general maritime law, with respect to injury in U.S. waters).

66. Although the Supreme Court applied the presumption in *American Banana* to deny extraterritorial effect to the Sherman Antitrust Act, the Court arguably backed away from that holding in subsequent antitrust cases during the early part of this century. See *United States v. Sisal Corp.*, 274 U.S. 268, 276 (1927) (applying Sherman Act to "deliberate acts, here and elsewhere, [that] brought about forbidden results within the United States"); *United States v. Pacific & Arctic Ry.*, 228 U.S. 87, 105-06 (1913) (applying Sherman Act to combination formed in United States to monopolize certain transportation partly within and partly without the United States). In 1945, the Second Circuit, in a case referred to it by the Supreme Court because the Court could not obtain a quorum of disinterested Justices, held that U.S. antitrust law applies to agreements made abroad "if they were intended to affect imports and did affect them." *United States v. Aluminum Co. of Am.*, 148 F.2d 416, 444 (2d Cir. 1945) (en banc). The Supreme Court appeared to endorse this idea in subsequent cases. See *Matsushita Elec. Indus. Co. v. Zenith Radio Corp.*, 475 U.S. 574, 582 n.6 (1985); *Continental Ore Co. v. Union Carbide & Carbon Corp.*, 370 U.S. 690, 704 (1962). Recently, the Court stated: "Although the proposition was perhaps not always free from doubt, . . . it is well established by now that the Sherman Act applies to foreign conduct that was meant to produce and did in fact produce some substantial effect in the United States." *Hartford Fire Ins. Co. v. California*, 509 U.S. 764, 795-96 (1993) (citation

III. EXTRATERRITORIAL APPLICATION OF INTELLECTUAL PROPERTY LAW

In this Part, I examine the current state of the law regarding the extraterritorial application of federal intellectual property statutes. This examination shows that, absent some act of infringement within the United States, courts generally refuse to apply the patent and copyright statutes to conduct abroad. By contrast, courts apply the trademark statute in some cases to conduct that occurs abroad even in the absence of any domestic act of infringement. This extraterritorial treatment of trademark law can be traced largely to a 1952 Supreme Court decision, *Steele v. Bulova Watch Co.*,⁶⁸ the reasoning of which, as I will explain, is questionable when judged against the standards for extraterritoriality articulated in the subsequent *Aramco* decision.

A. Patent Law

A patent is a government grant that entitles the recipient to exclude others from making, using, or selling an invention. Congress first enacted a federal patent statute in 1790.⁶⁹ The latest Patent Act was adopted in 1952.⁷⁰ This Act contains language suggesting that its scope is limited to the U.S. territory. It provides that the grant of a patent confers a "right to exclude others from making, using, offering for sale, or selling the invention *throughout the United States*."⁷¹ Thus, "whoever without authority makes, uses or sells any patented invention, *within the United States* during the term of the patent therefore, infringes the patent."⁷² Similar terri-

omitted); see also *United States v. Nippon Paper Indus. Co.*, 109 F.3d 1 (1st Cir. 1997) (allowing *criminal* antitrust action based on extraterritorial conduct). For a discussion of *Hartford Fire*, see *infra* text accompanying notes 259-271.

67. Although not yet decided by the Supreme Court, the lower federal courts have held that, despite the absence of clear extraterritorial language, the anti-fraud provisions of the federal securities laws apply to some extraterritorial conduct. See, e.g., *Itoba Ltd. v. LEP Group PLC*, 54 F.3d 118, 121-22 (2d Cir. 1995); *Schoenbaum v. Firstbrook*, 405 F.2d 200, 208-09, *rev'd on other grounds*, 405 F.2d 215 (2d Cir. 1968) (*en banc*); see generally Note, *American Adjudication of Transnational Securities Fraud*, 89 Harv. L. Rev. 553 (1976). For a recent discussion of the case law in this area, see *Robinson v. TCI/US West Communications, Inc.*, 1997 U.S. App. LEXIS 19487, *11-*18 (5th Cir. July 28, 1997).

68. 344 U.S. 280 (1952).

69. [Patent] Act of April 10, 1790, ch. 7, 1 Stat. 109 (repealed 1793).

70. See 35 U.S.C. §§ 1-376 (1994).

71. 35 U.S.C. § 154(a)(1) (*emphasis added*).

72. 35 U.S.C. § 271(a) (*emphasis added*).

torial language can be found as far back as the Patent Act of 1870.⁷³

Even before the adoption of this language, courts consistently held that patent law is territorial in scope. One of the earliest decisions is *Brown v. Duchesne*.⁷⁴ There, the Court held that U.S. patent law did not apply to an improvement used in constructing the gaff of a foreign sailing vessel. The Court described the issue as one involving “the construction of the patent laws.”⁷⁵ The Court acknowledged that the words of the patent statute “taken by themselves, and literally construed, without regard to the object in view, would seem to sanction the claim of the plaintiff.”⁷⁶ But the Court stated categorically that the patent laws “do not, and were not intended to, operate beyond the limits of the United States.”⁷⁷ The Court further stated that it would not give the statute an extraterritorial construction “unless plain and express words indicated that such was the intention of the Legislature.”⁷⁸

The strict territorial approach was applied again early in this century in *Dowagiac Manufacturing Co. v. Minnesota Moline Plow Co.*⁷⁹ In that case, third parties had manufactured grain drills that infringed the plaintiff’s patents. The defendants purchased the drills from the third parties and then sold them in the United States and Canada. There was no question that the defendants’ sale of the drills in the United States constituted infringement. The Court held, however, that the patent laws did not reach the defendants’ sale of the drills in Canada.⁸⁰ The Court said that “[t]he right conferred by a patent under our law is confined to the United States

73. The 1870 Act provided that the issuance of a patent granted the patent holder exclusive rights “throughout the United States and the Territories thereof.” [Patent] Act of July 8, 1870, ch. 230, § 22, 16 Stat. 198, 201. The predecessor to the 1870 Act, the 1836 Act, did not contain such territorial language in its grant-of-rights section. It did provide, however, that an *assignment* of the patent holder’s exclusive rights could be made “within and throughout any specified part or portion of the United States.” [Patent] Act of July 4, 1836, ch. 357, § 11, 5 Stat. 117, 121.

74. 60 U.S. (19 How.) 183 (1857).

75. *Id.* at 194.

76. *Id.*

77. *Id.* at 195.

78. *Id.*

79. 235 U.S. 641 (1915).

80. *Id.* at 650.

and its Territories . . . and infringement of this right cannot be predicated of acts wholly done in a foreign country.”⁸¹

More recently, the Supreme Court applied the territorial approach in *Deepsouth Packing Co. v. Laitram Corp.*⁸² In that case, the defendant was exporting U.S.-made components of a shrimp deveiner for assembly outside the country. The plaintiff held combination patents⁸³ on certain mechanisms in the deveiner. In a five-to-four decision, the Court held that there was no violation of the patents.⁸⁴ Consistent with earlier lower court decisions, the Court held that a good protected by a combination patent is only “made” when it is fully assembled.⁸⁵ Because this assembly occurred outside the United States, the Court concluded that the U.S. patent laws were inapplicable. Quoting *Brown v. Duchesne*, the Court emphasized that “[o]ur patent system makes no claim to extraterritorial effect; ‘these acts of Congress do not, and were not intended to, operate beyond the limits of the United States.’”⁸⁶ The Court also stated that, to the extent that a U.S. inventor needs protection in foreign markets, the wording of the patent statute suggests “a congressional intent to have him seek it abroad through patents secured in countries where his goods are being used.”⁸⁷

Despite this territorial approach, there are two scenarios in which courts nevertheless give patent law what could be called an extraterritorial effect. The first is under the doctrine of contributory infringement.⁸⁸ Courts have held that conduct abroad can be reached under U.S. patent law if it actively induces or contributes to infringement occurring within the U.S. territory.⁸⁹ These cases

81. *Id.* For this proposition, the Court cited a copyright decision, *United Dictionary Co. v. G. & C. Merriam Co.*, 208 U.S. 260 (1908), which is discussed *infra* text accompanying notes 98-102.

82. 406 U.S. 518 (1972).

83. A combination patent confers protection with respect to a new combination of preexisting elements. See *id.* at 520.

84. *Id.* at 531.

85. *Id.* at 527-29.

86. *Id.* at 531 (quoting *Brown v. Duchesne*, 60 U.S. (19 How.) 183, 195 (1857)).

87. *Id.* Congress eventually amended the patent statute to overrule the specific holding of *Deepsouth*. See 35 U.S.C. § 271(f). This amendment is discussed *infra* text accompanying notes 323-325.

88. The doctrine of contributory infringement is codified in the Patent Act. See 35 U.S.C. § 271(b), (c).

89. See, e.g., *Spindelfabrik Suessen-Schurr v. Schubert & Salzer*, 903 F.2d 1568, 1577-78 (Fed. Cir. 1990); *Honeywell, Inc. v. Metz Apparatewerke*, 509 F.2d 1137, 1141 (7th Cir. 1975); *Kabushiki Kaisha Hattori Seiko v. Refac Tech. Dev. Corp.*, 690 F. Supp. 1339, 1344 (S.D.N.Y. 1988); see also *Deepsouth*, 406 U.S. at 526 (“Certainly, if *Deepsouth*’s conduct were intended to lead to use of patented deveiners inside the United States its production

recognize that, even though U.S. patent law applies only to infringements occurring within the U.S. territory, the cause of an infringement may emanate from outside the territory. The second situation concerns the recovery of profits received as a result of an infringement. The Federal Circuit has indicated (without much explanation) that, so long as the defendant infringes the patent in the United States (for example by making the patented invention here), then the recoverable damages may include the profits received by the defendant from *foreign* sales of the invention.⁹⁰ Importantly, in both of these situations, liability is premised on the existence of an infringement of the patent in the United States. Absent an infringement occurring within the U.S. territory, there can be no violation of the patent laws.⁹¹ As discussed below, this is also the general rule in copyright law, but not in trademark law.

B. Copyright Law

Copyright law protects “original works of authorship fixed in any tangible medium of expression.”⁹² As with patent law, there has been a federal copyright statute in the United States since 1790.⁹³ After a variety of revisions and amendments, the statute was comprehensively recodified in 1909.⁹⁴ The 1909 Act remained in place until the enactment of the current 1976 Act.⁹⁵ In contrast to the patent statute, there is no language in the copyright statute suggesting that its scope is generally limited to the U.S. borders. The “exclusive rights” of copyright listed in Section 106 of the Act do not mention any particular territory.⁹⁶ Nor does the general infringement provision, Section 501(a), state that it applies only within the United States.⁹⁷ Nevertheless, courts consistently have

and sales activity would be subject to injunction as an induced or contributory infringement.”).

90. See *Schneider (Europe) AG v. Scimed Life Sys.*, 39 U.S.P.Q.2d (BNA) 1596, 1598 (Fed. Cir. 1995) (per curiam); *Datascope Corp. v. SMEC, Inc.*, 879 F.2d 820, 826-27 (Fed. Cir. 1989).

91. See, e.g., *Deepsouth*, 406 U.S. at 527 (“[I]n order to secure the injunction it seeks, [plaintiff] must show . . . that [defendant] ‘makes,’ ‘uses,’ or ‘sells’ the patented product within the bounds of this country.”); *Robotic Vision Sys., Inc. v. View Eng’g, Inc.*, 39 U.S.P.Q.2d (BNA) 1117, 1119 (C.D. Cal. 1995) (same).

92. 17 U.S.C. § 102(a) (1994).

93. See [Copyright] Act of May 31, 1790, ch. 15, 1 Stat. 124.

94. See [Copyright] Act of March 4, 1909, ch. 320, 35 Stat. 1075.

95. See [Copyright] Act of Oct. 19, 1976, Pub. L. No. 94-553, 90 Stat. 2541.

96. See 17 U.S.C. § 106.

97. See 17 U.S.C. § 501(a). A territorial limitation does appear in the definition section of the chapter of the Copyright Act governing digital audio recording devices and media,

held that U.S. copyright law, at least as a general matter, does not apply beyond U.S. territorial boundaries.

The Supreme Court applied this principle early in this century in *United Dictionary Co. v. G. & C. Merriam Co.*⁹⁸ There, in an opinion by Justice Holmes, the Court held that a requirement under U.S. copyright law that a notice of copyright be inserted "in the several copies of every edition published"⁹⁹ did not extend to publications outside the United States.¹⁰⁰ The Court acknowledged that Congress "could attach what conditions it saw fit to its grant."¹⁰¹ However, in language reflecting a territorial conception of copyrights, the Court said it was "unlikely that [Congress] would make requirements of personal action beyond the sphere of its control. Especially is it unlikely that it would require a warning to the public against the infraction of a law beyond the jurisdiction where that law was in force."¹⁰²

The territorial nature of copyright law was recently reaffirmed in strong terms by the Ninth Circuit in *Subafilms, Ltd. v. MGM-Pathe Communications Co.*¹⁰³ In that case, the court held that the mere

which was enacted in 1992. There, the word "distribute" is defined as meaning "to sell, lease, or assign a product to consumers *in the United States*, or to sell, lease, or assign a product *in the United States* or ultimate transfer to consumers *in the United States*." 17 U.S.C. § 1001(6) (emphasis added).

98. 208 U.S. 260 (1908).

99. [Copyright] Act of June 18, 1874, ch. 3, § 4962, 18 Stat. 965, 967.

100. 208 U.S. at 264.

101. *Id.*

102. *Id.* For other decisions holding that statutory limitations on copyright protection do not have extraterritorial effect, see, e.g., *Twin Brooks Corp. v. Walt Disney Co.*, 83 F.3d 1162, 1167-68 (9th Cir. 1996) (notice requirement in 1909 Act); *Parfums Givenchy, Inc. v. Drug Emporium, Inc.*, 38 F.3d 477, 481 (9th Cir. 1994) ("first sale" limitation on control over distribution, as codified in Section 109(a) of 1976 Act); *BMG Music v. Perez*, 952 F.2d 318, 319 (9th Cir. 1991) (same); *Columbia Broad. Sys. v. Scorpio Music Distribs.*, 569 F. Supp. 47, 49 (E.D. Pa. 1983) (same), *aff'd mem.*, 738 F.2d 424 (3d Cir. 1984); *Beechwood Music Corp. v. Veejay Records*, 328 F.2d 728, 729 (2d Cir. 1964) (compulsory license provisions of 1909 Act). But cf. *L'anza Research Int'l, Inc. v. Quality King Distribs., Inc.*, 98 F.3d 1109, 1113-17 (9th Cir. 1996) (refusing to apply "first sale" provision of 1976 Act to sales abroad because of concern about undermining copyright owner's importation rights rather than because of presumption against extraterritoriality), cert. granted, 65 U.S.L.W. 3798 (U.S. June 2, 1997) (No. 96-1470). The connection between the territoriality of intellectual property *rights* and the territoriality of *restrictions* on such rights is an issue that merits further study. To use the terms of a prominent international business law casebook (which the book in turn borrowed from the tax law context), this issue concerns the relationship between the "inbound" problem and the "outbound" problem. See Paul B. Stephan III et al., *International Business and Economics: Law and Policy* 132 (2d ed. 1996). This issue would seem to be relevant, for example, to the debate over the legality of so-called "gray market" goods. See *infra* notes 191-192, 197-209, and accompanying text.

103. 24 F.3d 1088 (9th Cir. 1994) (en banc).

authorization within the United States of acts of infringement occurring outside of the United States does not violate U.S. copyright law. Overruling an earlier decision,¹⁰⁴ the court held that an "authorization" only violates the Copyright Act if the conduct authorized itself violates the Act.¹⁰⁵ The court then proceeded to hold, consistent with earlier decisions, that the Act does not apply to activities occurring outside the United States. The court invoked the general presumption against the extraterritorial application of federal statutes and observed that "[t]here is no clear expression of congressional intent in either the 1976 Act or other relevant enactments to alter the preexisting extraterritoriality doctrine."¹⁰⁶ The court also expressed concern about interfering with efforts by Congress to achieve multilateral intellectual property protection.¹⁰⁷ Finally, the court noted that extraterritorial application of copyright law would embroil the courts in difficult choice-of-law questions.¹⁰⁸

Consistent with *Subafilms*, courts in recent years have stated categorically that the copyright laws do not have extraterritorial effect.¹⁰⁹ As in the patent area, there are what could arguably be called exceptions to this rule for situations involving contributory infringement¹¹⁰ and extraterritorial profits.¹¹¹ Some courts have

104. *Peter Starr Prod. Co. v. Twin Continental Films, Inc.*, 783 F.2d 1440 (9th Cir. 1986).

105. 24 F.3d at 1090; see also, e.g., *Fun-Damental Too, Ltd. v. Gemmy Indus. Corp.*, 41 U.S.P.Q.2d (BNA) 1427, 1432-33 (S.D.N.Y. 1996) (agreeing with *Subafilms*), *aff'd*, 111 F.3d 993 (2d Cir. 1997). At least one court has since disagreed with this aspect of the *Subafilms* holding. See *Curb v. MCA Records, Inc.*, 898 F. Supp. 586, 596 (M.D. Tenn. 1995). That court concluded, unlike the court in *Subafilms*, that Congress has in fact made the authorization of infringing acts by itself a basis for copyright infringement liability. *Id.* at 595. Importantly, the court in *Curb* did not disagree with *Subafilms* that, in order to apply U.S. copyright law, a court must find that "an act of copyright infringement occurred within the boundaries of the United States." *Id.* at 594. Professor Ginsburg thus may be going further even than *Curb* when she suggests that "domestic acts of planning and intellectually implementing the offshore acts should suffice to justify the application of U.S. law to the full series of acts," Jane C. Ginsburg, *Extraterritoriality and Multiterritoriality in Copyright Infringement*, 37 *Va. J. Int'l L.* 587, 600 (1997) assuming these acts would not necessarily constitute "authorization."

106. 24 F.3d at 1096.

107. *Id.* at 1097-98.

108. *Id.* at 1098.

109. See, e.g., *Twin Brooks Corp. v. Walt Disney Co.*, 83 F.3d 1162, 1167 (9th Cir. 1996) (referring to "the long-standing axiom that U.S. copyright laws have no extraterritorial effect"); *Update Art, Inc. v. Modiin Publ'g, Ltd.*, 843 F.2d 67, 73 (2d Cir. 1988) ("It is well established that copyright laws generally do not have extraterritorial application."); *Robert Stigwood Group, Ltd. v. O'Reilly*, 530 F.2d 1096, 1101 (2d Cir. 1976) ("Copyright laws do not have extraterritorial operation.").

110. Copyright law applies to extraterritorial conduct that actively induces or contributes to infringement occurring within the United States. See, e.g., *Cable/Home*

also adopted a related exception for situations in which an infringement in the United States permits further infringement abroad.¹¹² But, as under patent law, the courts have held that there can be no violation of U.S. copyright law without an act of infringement within the United States.¹¹³ As discussed below, this is not the case with respect to U.S. trademark law.

C. *Trademark Law*

Trademark law protects the use of designations that identify and distinguish goods or services in commerce. The first federal trademark statute was enacted in 1870, but it was held unconstitutional because it was not limited to interstate commerce, and it was found to be beyond Congress's powers under the copyright and patent clause.¹¹⁴ After subsequently enacting a statute in 1881 applicable only to marks used in commerce with foreign nations and Indian tribes, Congress in 1905 relied on its commerce clause powers to enact the "first modern federal trademark registration statute."¹¹⁵ The 1905 statute was replaced by the current federal trademark statute, the Lanham Trade-Mark Act, which was enacted in 1946.¹¹⁶

Communication Corp. v. Network Prods., Inc., 902 F.2d 829, 845-46 (11th Cir. 1990); *Metzke v. May Dept. Stores Co.*, 878 F. Supp. 756, 760-61 (W.D. Pa. 1995); *GB Mktg. USA, Inc. v. Gerolsteiner Brunnen GmbH & Co.*, 782 F. Supp. 763, 772-73 (W.D.N.Y. 1991).

111. Courts have held that a copyright plaintiff may recover a defendant's extraterritorial profits if they are derived from infringing acts within the United States. See, e.g., *Update Art*, 843 F.2d at 73; *Sheldon v. Metro-Goldwyn Pictures Corp.*, 106 F.2d 45, 52 (2d Cir. 1939), *aff'd*, 309 U.S. 390 (1940); *Fantasy, Inc. v. Fogerty*, 664 F. Supp. 1345, 1351-52 (N.D. Cal. 1987). But cf. *Los Angeles News Serv. v. Reuters Television Int'l, Ltd.*, 942 F. Supp. 1265, 1269 (C.D. Cal. 1996) (Copyright Act does not allow recovery of profits arising from *extraterritorial* infringements). This exception to the territorial approach to copyright law rests on the idea that, when an infringement of copyright occurs in the United States, the owner of the copyright acquires an "equitable interest" in the infringing product, such that a court may impose a "constructive trust" with respect to the extraterritorial proceeds derived by the defendant from the product. See *Robert Stigwood Group*, 530 F.2d at 1101 n.9. For criticism of this line of cases, see Paul Edward Geller, *International Copyright: An Introduction*, in 1 *International Copyright Law and Practice* § 3[1][b][ii], at INT-51 (Melville B. Nimmer & Paul Edward Geller eds., 1996) [hereinafter Geller, *International Copyright*].

112. See, e.g., *Update Art*, 843 F.2d at 73; *De Bardossy v. Puski*, 763 F. Supp. 1239, 1243 (S.D.N.Y. 1991); *P & D Int'l v. Halsey Publ'g Co.*, 672 F. Supp. 1429, 1432 (S.D. Fla. 1987).

113. See, e.g., *Fun-Damental Too, Ltd. v. Gemmy Indus. Corp.*, 41 U.S.P.Q.2d (BNA) 1427, 1432 (S.D.N.Y. 1996), *aff'd*, 111 F.3d 993 (2d Cir. 1997); *Zenger-Miller, Inc. v. Training Team, GmbH*, 757 F. Supp. 1062, 1071-72 (N.D. Cal. 1991); *Ahbez v. Edwin H. Morris & Co.*, 548 F. Supp. 664, 667 (S.D.N.Y. 1982).

114. See *The Trademark Cases*, 100 U.S. 82 (1879).

115. *Restatement (Third) of Unfair Competition* § 9 cmt. e (1995).

116. 15 U.S.C. §§ 1051-1127 (1994).

In contrast to patent and copyright law, courts apply trademark law to conduct abroad even in some cases where no act of infringement has taken place within the United States. This differential treatment can be traced in large part to a 1952 Supreme Court decision, *Steele v. Bulova Watch Co.*¹¹⁷ There, the defendant Steele, a U.S. citizen, had been purchasing unbranded watch components from Switzerland and the United States, assembling the watches in Mexico, and there stamping the watches with the name "Bulova." Although Steele sold the watches only in Mexico, a significant number of the watches had filtered across the border into the United States.¹¹⁸ The Bulova Watch Company, a U.S. corporation, brought suit against Steele in federal district court in Texas seeking injunctive and monetary relief under the Lanham Act. The company had registered the name "Bulova" as a trademark in the United States, but had not registered the mark in Mexico. By contrast, Steele, many years before the lawsuit, *had* registered the mark in Mexico.¹¹⁹

In holding that the Lanham Act applied to the defendant's conduct, the Supreme Court began by stating that it is well settled that Congress has the power to prescribe rules of conduct for its nationals that extend beyond the country's territorial boundaries.¹²⁰ Although the Court acknowledged that "legislation of Congress will not extend beyond the boundaries of the United States [absent] a contrary legislative intent,"¹²¹ it noted that the Lanham Act purports to extend to "all commerce which may lawfully be regulated by Congress."¹²² The Court described this as a "broad jurisdictional grant."¹²³

In addition to relying on the commerce language of the Act, the Court emphasized that Steele was a U.S. citizen and that his con-

117. 344 U.S. 280 (1952).

118. Bulova's Texas representative testified at trial that he had received "upwards of five hundred" complaints concerning fake Bulova watches that had come into the United States from Mexico. Transcript of Record filed in *Steele v. Bulova Watch Co.*, 344 U.S. 280 (1952), at 78; see also *Steele*, 344 U.S. at 285 ("As a result of the distribution of spurious 'Bulovas,' Bulova Watch Company's Texas sales representative received numerous complaints from retail jewelers in the Mexican border area whose customers brought in for repair defective 'Bulovas' which upon inspection often turned out not to be products of that company.").

119. Steele registered the mark in 1933. See *Bulova Watch Co. v. Steele*, 194 F.2d 567, 568 (5th Cir. 1952).

120. *Steele*, 344 U.S. at 282.

121. *Id.* at 285.

122. *Id.* at 284.

123. *Id.* at 286.

duct had effects in the United States—he had been buying watch components from the United States and his watches were filtering into the United States. The Court rejected the argument that the place where Steele affixed the infringing mark and sold the watches was determinative of the choice of law: “[W]e do not think that petitioner by so simple a device can evade the thrust of the laws of the United States in a privileged sanctuary beyond our borders.”¹²⁴ Finally, the Court found no conflict with foreign law, because, while the case had been pending before the Court, the Mexican government canceled Steele’s registration of the mark in that country.¹²⁵

The Court’s decision left a number of unanswered questions. What if none of the watches had turned up in the United States? What if Steele had not purchased component parts in the United States? What if Steele had not been a U.S. citizen? What if Steele’s Mexican trademark registration had not been canceled? Not only did the Court not answer these questions, its analysis did not even suggest how these questions were to be resolved. In particular, the Court did not explain which of the facts of the case, if any, were essential to liability or how such facts were to be weighed.

The lower courts have struggled with these and similar questions after *Steele*. Despite the “broad jurisdictional grant” in the Lanham Act, the courts have not applied the Act to the full reaches of Congress’s commerce power. Instead, they have applied a variety of balancing tests to limit the Lanham Act’s extraterritorial effect. Most circuits apply some version of a three-part test that considers the effects of the defendant’s conduct on U.S. commerce, the citizenship of the defendant, and the likelihood of a conflict between U.S. law and foreign law.¹²⁶ The Ninth Circuit, however, applies a

124. *Id.* at 287.

125. *Id.* at 289.

126. See, e.g., *Vanity Fair Mills, Inc. v. T. Eaton Co.*, 234 F.2d 633, 642-43 (2d Cir. 1956). The circuits differ in how they apply this test. They differ, for example, regarding the degree of effect that the defendant’s conduct must have on U.S. commerce. Compare *Totalplan Corp. of Am. v. Colborne*, 14 F.3d 824, 830 (2d Cir. 1994) (“substantial” effect), with *Nintendo of Am., Inc. v. Aeropower Co.*, 34 F.3d 246, 250 (4th Cir. 1994) (“significant” effect), with *American Rice, Inc. v. Arkansas Rice Growers Coop. Ass’n*, 701 F.2d 408, 414 n.8 (5th Cir. 1983) (“some” effect). Courts applying the three-factor test do not necessarily limit themselves to consideration of just those factors. See, e.g., *id.* at 414 (“Nor should a court limit its inquiry exclusive to these considerations. Rather, these factors will necessarily be the primary elements in any balancing analysis.”).

more complicated balancing test that it developed for the extraterritorial application of antitrust law:

[F]irst, there must be some effect on American foreign commerce; second, the effect must be sufficiently great to present a cognizable injury to plaintiffs under the federal statute; and third, the interests of and links to American foreign commerce must be sufficiently strong in relation to those of other nations to justify an assertion of extra-territorial authority.¹²⁷

In evaluating the third part of the test, the Ninth Circuit considers and balances seven “comity” factors.¹²⁸

The differences in the tests used and the uncertain nature of these tests have meant that the extraterritorial scope of the Lanham Act varies to some extent from circuit to circuit. For example, the Ninth Circuit has taken a relatively broad view of the Lanham Act’s extraterritorial scope, and the Second Circuit has taken a relatively narrow view. The key point for present purposes is that the courts in some situations apply the Lanham Act to conduct abroad even in the absence of an act of infringement within the United States. Trademark infringement under the Lanham Act requires, among other things, that there be a likelihood of confusion.¹²⁹ Nevertheless, there have been a number of decisions applying the Act to the exportation and sale abroad of allegedly infringing merchandise, despite the lack of any showing that the merchandise was likely to reenter the United States or cause any confusion within

127. *Reebok Int’l, Ltd. v. Marnatech Enters., Inc.*, 970 F.2d 552, 554 (9th Cir. 1992) (quoting *Star-Kist Foods, Inc. v. P.J. Rhodes & Co.*, 769 F.2d 1393, 1395 (9th Cir. 1985)). This test comes from an antitrust decision, *Timberlane Lumber Co. v. Bank of Am. Nat’l Trust and Sav. Ass’n*, 549 F.2d 597 (9th Cir. 1976).

128. These factors are:

[T]he degree of conflict with foreign law or policy, the nationality or allegiance of the parties and the locations or principal places of business of corporations, the extent to which enforcement by either state can be expected to achieve compliance, the relative significance of effects on the United States as compared with those elsewhere, the extent to which there is explicit purpose to harm or affect American commerce, the foreseeability of such effect, and the relative importance to the violations charged of conduct within the United States as compared with conduct abroad.

Reebok, 970 F.2d at 555 (quoting *Timberlane*, 549 F.2d at 614).

129. See 15 U.S.C. § 1114 (referring to uses “likely to cause confusion, or to cause mistake, or to deceive”).

the United States.¹³⁰ Recently, a court even applied it to the performance of services in another country.¹³¹

The distinction between the approach taken in the trademark area and the one taken in the patent and copyright areas is highlighted by a decision from the Fourth Circuit, *Nintendo of America, Inc. v. Aeropower Co.*¹³² In that case, the defendants were found to have sold counterfeit Nintendo video games not only in the United States, but also in Mexico and Canada. Although "[t]he cartridges and video game software also display[ed] several registered trademarks of Nintendo's," the principal intellectual property protection for the content of the video games was copyright law.¹³³ Nevertheless, in considering the validity of an injunction directed at the foreign conduct, the Fourth Circuit looked only to trademark law rather than copyright law. The court stated that, whereas "the Copyright Act is generally considered to have no extraterritorial application,"¹³⁴ the power to regulate extraterrito-

130. See, e.g., *Levi Strauss & Co. v. Sunrise Int'l Trading*, 51 F.3d 982 (11th Cir. 1995) (sale in Europe of jeans made in China); *Ocean Garden, Inc. v. Marktrade Co.*, 953 F.2d 500 (9th Cir. 1991) (sale of seafood products in Asia); *American Rice*, 701 F.2d 408 (sale of rice in Saudi Arabia); *Scotch Whiskey Ass'n v. Barton Distilling Co.*, 489 F.2d 809 (7th Cir. 1973) (sale of whiskey in Panama); *Reebok Int'l Ltd. v. Sebelen*, 930 F. Supp. 720 (D. Puerto Rico 1996) (sale of shoes in Dominican Republic); see also *Babbitt Electronics, Inc. v. Dynascan Corp.*, 38 F.3d 1161, 1180 (11th Cir. 1994) ("[T]he Lanham Act can apply where sales occur outside the United States."); Robert Alpert, *The Export of Trademarked Goods from the United States: The Extraterritorial Reach of the Lanham Act*, 81 Trademark Rep. 125 (1991) (collecting cases). Professor Schechter defends these cases by noting that extraterritorial conduct can in some situations harm the reputation of a trademark owner within the United States. See Roger E. Schechter, *The Case for Limited Extraterritorial Reach of the Lanham Act*, 37 Va. J. Int'l L. 619, 628-31 (1997). These cases, however, do not in fact require proof of such domestic harm. See, e.g., *Ocean Garden*, 953 F.2d at 503 ("The injury would seem to be limited to the deception of consumers in the Far East."); *American Rice*, 701 F.2d at 415 ("There is . . . no requirement that the defendant's products bearing the infringing marks make their way back into the United States."). Indeed, even in the decision principally relied upon by Professor Schechter for this point—*Levi Strauss*—the court's passing reference to reputational harm is not clearly a reference to harm in the United States; the court might well have been referring only to reputational harm in Europe. See 51 F.3d at 986.

131. See *Les Ballets Trockadero de Monte Carlo, Inc. v. Trevino*, 945 F. Supp. 563 (S.D.N.Y. 1996) (applying Lanham Act to advertising for ballet performances in Japan). Courts have also upheld Lanham Act jurisdiction over extraterritorial conduct on the basis of a defendant's use of a U.S. foreign trade zone. See, e.g., *Ocean Garden*, 953 F.2d at 504-05; *A.T. Cross Co. v. Sunil Trading Corp.*, 467 F. Supp. 47, 51 (S.D.N.Y. 1979). A foreign trade zone "is a government-bonded warehouse where imports are repacked, relabeled, and stored duty free for prescribed periods." 4 McCarthy on Trademarks and Unfair Competition, *supra* note 9, § 29:56, at 29-100.

132. 34 F.3d 246 (4th Cir. 1994).

133. *Id.* at 248.

134. *Id.* at 249 n.5.

rial conduct "is more extensive under the Lanham Act,"¹³⁵ in that it extends to "any [conduct] which has a significant effect on United States Commerce."¹³⁶

D. *Inconsistency of Steele with the Presumption*

The extraterritorial treatment of trademark law can, as noted above, be traced largely to the Supreme Court's decision in *Steele*.¹³⁷ It is perhaps not surprising that the Court in *Steele* approached the issue of extraterritoriality differently than had the Court in the earlier patent and copyright decisions. After all, *Steele* was decided in 1952, a time in which, among other things, the territorial approach to choice of law was under attack. For present purposes, however, the issue is not whether the *Steele* approach is understandable in light of the times, or even whether it is "correct." Rather, the issue is whether it can satisfactorily be reconciled with the presumption against extraterritoriality, as articulated in the subsequent *Aramco* decision.

The reasoning of *Steele* can be divided into two categories. First, there is the general rationale given by the Court for applying the Lanham Act extraterritorially at all. Second, there are the specific facts cited by the Court justifying its extraterritorial application in the particular case.

The general reason cited by the Court for extraterritoriality was the broad commerce language in the statute. The Lanham Act refers to various acts "in commerce," and it defines commerce as "all commerce which may lawfully be regulated by Congress."¹³⁸ The Constitution, of course, includes "Commerce with foreign Nations" as part of the commerce that may lawfully be regulated by Congress.¹³⁹ Although the scope of the foreign commerce clause has not been the subject of substantial scrutiny, most courts and commentators seem to assume, and it was assumed by the Court in *Steele*, that the clause gives Congress a broad power to regulate extraterritorial conduct.¹⁴⁰ On this basis, the Court con-

135. *Id.* at 249.

136. *Id.* at 249-50 n.5. The court ultimately remanded to have the district court apply the relevant balancing test. See *id.* at 250-51.

137. See *supra* text accompanying notes 117-125.

138. 15 U.S.C. § 1127.

139. U.S. Const. art. I, § 8, cl. 3.

140. The Supreme Court has suggested that the foreign commerce power is at least as broad as, and perhaps even broader than, the domestic commerce power. See *Japan Line, Ltd. v. County of Los Angeles*, 441 U.S. 434, 447 (1979); see also 1 Ronald D. Rotunda & John E. Nowak, *Treatise on Constitutional Law* § 4.2, at 358 (2d ed. 1992) ("The Court has

cluded that Congress intended the Lanham Act to apply extraterritorially.

There are a number of problems with this reasoning. First, as noted in *Aramco*,¹⁴¹ even direct references in statutes to foreign commerce, such as in the National Labor Relations Act and the Federal Employers Liability Act,¹⁴² have been found insufficient by the Court to overcome the presumption against extraterritoriality.¹⁴³ Therefore, the Lanham Act's indirect (albeit broad) reference, defining commerce to include "all commerce which may lawfully be regulated by Congress," should not by itself be sufficient.

Second, the reasoning in *Steele* would seem to require that courts, consistent with the Lanham Act's definition of commerce, apply the Act to "all commerce which may lawfully be regulated by Congress." Such a construction of the statute, however, would create serious conflicts with foreign nations. The foreign commerce power is considered sufficiently broad that applying the Lanham Act to the full reaches of that power would involve assertions of jurisdiction over foreign defendants based on conduct occurring wholly within their home countries, presumably even in situations where application of U.S. law would directly conflict with the laws or entitlements of that country.¹⁴⁴ A similar possibility was cited by the Court in *Aramco* as a reason for construing the statute there

always recognized a plenary power in Congress to deal with matters touching upon foreign relations or foreign trade."). The Second Circuit has stated that this foreign commerce power "extend[s] to all commerce, even intrastate and entirely foreign commerce, which has a substantial effect on commerce between the states or between the United States and foreign countries." *Vanity Fair Mills, Inc. v. T. Eaton Co.*, 234 F.2d 633, 641 (2d Cir. 1956). The Fifth and Ninth Circuits have adopted an even broader view, holding that the effect on domestic commerce need not even be substantial. See *American Rice, Inc. v. Arkansas Rice Growers Coop. Ass'n*, 701 F.2d 408, 414 n.8 (5th Cir. 1983); *Wells Fargo & Co. v. Wells Fargo Express Co.*, 556 F.2d 406, 428 (9th Cir. 1977). But cf. *United States v. Lopez*, 115 S. Ct. 1624, 1630 (1995) (stating that exercise of *domestic* commerce power requires that regulated activity have a substantial effect on interstate commerce).

141. 499 U.S. at 251-52.

142. See 29 U.S.C. § 152(6) (1994) (defining commerce in National Labor Relations Act to include "trade, traffic, commerce, transportation, or communication . . . between any foreign country and any State, Territory, or the District of Columbia, or within the District of Columbia or any Territory, or between points in the same State but through . . . any foreign country"); 45 U.S.C. § 51 (1994) (referring in Federal Employers Liability Act to commerce between "any of the States or Territories and any foreign nation or nations").

143. See *McCulloch v. Sociedad Nacional de Marineros de Honduras*, 372 U.S. 10, 19 (1963) (National Labor Relations Act); *New York Cent. R.R. Co. v. Chisholm*, 268 U.S. 29, 31 (1925) (Federal Employers Liability Act).

144. See *supra* note 140.

as not applying abroad.¹⁴⁵ Not surprisingly, the lower courts after *Steele* have not in fact construed the Lanham Act as extending to the limits of Congress's foreign commerce power.¹⁴⁶ Instead, as discussed, they have attempted to devise balancing factors to limit the Act's extraterritorial scope and thereby reduce the risk of serious conflict.

In addition to the Lanham Act's commerce language, the Court in *Steele* mentioned three case-specific reasons for applying the Act extraterritorially: effects in and contacts with the United States; the U.S. citizenship of the defendant; and a lack of conflict with foreign law. The problem with this analysis (from the perspective of the presumption against extraterritoriality) is that it has no basis in the language of the statute. The Lanham Act does not distinguish, for example, between U.S. and foreign defendants. The only language in the Act supporting extraterritoriality is the commerce language discussed above. Thus, while the facts recited by the Court might be relevant once the territorial presumption has been overcome, they offer no basis, in the case of the Lanham Act, for overcoming that presumption in the first place. Similarly, the fact that the employer in *Aramco* happened to be a U.S. company did not assist the petitioners in that case, as Title VII did not purport to distinguish between U.S. and foreign employers.¹⁴⁷

The Court's deviation in *Steele* from the presumption against extraterritoriality can be seen from the way it framed the inquiry. After noting that Congress had the power to regulate the conduct of its citizens abroad, the Court stated: "The question thus is 'whether Congress intended to make the law applicable' *to the facts of this case*."¹⁴⁸ But that is *not* the initial question when applying the presumption against extraterritoriality. Rather, the question is whether Congress intended the legislation to apply extraterritorially *at all*. Only after that question is answered in the affirmative is it proper, under the logic of the presumption, to consider whether the facts "of this case" fall within the intended extraterritorial reach of the legislation.

The Seventh Circuit explained this point in an opinion by Judge Posner, *Pfeiffer v. Wm. Wrigley Jr. Co.*¹⁴⁹ There, the court invoked

145. See *Aramco*, 499 U.S. at 255.

146. See, e.g., *Vanity Fair Mills*, 234 F.2d at 642.

147. See *Aramco*, 499 U.S. at 255; see also *Foley Bros., Inc. v. Filardo*, 336 U.S. 281, 286 (1949) (making similar point).

148. *Steele*, 344 U.S. at 285 (emphasis added) (quoting *Foley Bros.*, 336 U.S. at 285).

149. 755 F.2d 554 (7th Cir. 1985).

the presumption against extraterritoriality in a case involving the Age Discrimination in Employment Act¹⁵⁰ and concluded that the Act did not apply to alleged age discrimination in Germany by a U.S. company against a U.S. citizen. The court stated that the "wisdom [of the presumption] is confirmed by imagining the complications that could result from applying the Age Discrimination in Employment Act in a case where the employer was foreign and the employee American, or the employer American and the employee foreign, or both foreign."¹⁵¹ Importantly, the court rejected the plaintiff's suggestion that it avoid these problems simply by limiting the extraterritorial reach of the statute to the facts of the plaintiff's case, where both the employer and the employee were American. The court explained that it could not do that since there was no "principled basis for confining the extraterritorial reach of the statute (if it has any such reach) to [the plaintiff's] case."¹⁵² Similarly, because there was no principled basis for confining the extraterritorial reach of the Lanham Act to the particular circumstances of the case in *Steele*, the Supreme Court's reliance on those circumstances was insufficient to overcome the presumption against extraterritoriality.¹⁵³

Despite the apparent inconsistency between *Aramco* and *Steele*, the Court in *Aramco* purported to distinguish *Steele* on two grounds. Neither ground, however, is particularly persuasive. First, the Court noted that Title VII's commerce language is more limited than the commerce language in the Lanham Act.¹⁵⁴ Although this may be true, it ignores the fact that the Court has held that other statutes that define commerce as broadly as the

150. 29 U.S.C. §§ 621-34 (1994). The court was interpreting the version of the Act in effect prior to 1984. In 1984, Congress amended the statute to cover practices by U.S.-controlled foreign corporations. See *id.* § 623(h). But cf. *Denty v. Smithkline Beecham Corp.*, 109 F.3d 147, 151 (3d Cir. 1997) (amended ADEA does not apply to denial of promotional opportunity overseas by foreign parent of U.S. company).

151. 755 F.2d at 557.

152. *Id.*

153. Cf. *Vimar Seguros y Reaseguros, S.A. v. M/V Sky Reefer*, 115 S. Ct. 2322, 2327 (1995) (rejecting argument that prohibition in Carriage of Goods by Sea Act on lessening of liability invalidates foreign arbitration clauses because "there would be no principled basis for distinguishing national from foreign arbitration clauses").

154. Whereas the Lanham Act refers to "all commerce which may lawfully be regulated by Congress," Title VII defines commerce as "trade, traffic, commerce, transportation, transmission, or communication among the several States; or between a State and any place outside thereof; or within the District of Columbia, or a possession of the United States; or between points in the same State but through a point outside thereof." 42 U.S.C. § 2000e(g) (1994).

Lanham Act do not apply extraterritorially.¹⁵⁵ It also ignores the Court's own reasoning in *Aramco* that mere "boilerplate" language that "does not speak directly" to the issue of extraterritoriality is not enough, by itself, to overcome the territorial presumption.¹⁵⁶

Second, the Court noted that Title VII's definition of commerce was derived from the Labor Management Reporting and Disclosure Act,¹⁵⁷ which the Court had held before the enactment of Title VII not to have extraterritorial effect.¹⁵⁸ Although this may further support the conclusion that Congress did not intend Title VII to apply abroad, it in no way supports the conclusion that Congress affirmatively intended the opposite with respect to the Lanham Act. As stated by the Court in *Aramco*, to overcome the presumption against extraterritoriality, there must be a "demonstrat[ion of] affirmative congressional intent" to extend the statute beyond U.S. territorial borders.¹⁵⁹ No such demonstration was made in *Steele*.

In sum, the reasoning of *Steele* is difficult to reconcile with the Supreme Court's recent extraterritoriality jurisprudence. In addition, *Steele* does not sit comfortably with the territorial treatment of the other two principal areas of intellectual property law.¹⁶⁰

155. See *supra* notes 141-143 and accompanying text.

156. 499 U.S. at 250-51.

157. 29 U.S.C. §§ 401-531 (1994).

158. See *Aramco*, 499 U.S. at 251-52.

159. *Id.* at 249 (emphasis added).

160. Professor Schechter maintains that, even if *Steele* was incorrectly decided, several factors should persuade the Supreme Court to adhere to it. See Schechter, *supra* note 130, at 624-33. In response, I should begin by emphasizing that my position is that *Steele* is doctrinally problematic *today*, not just (or even especially) when it was decided. When *Steele* was decided, the status of the presumption against extraterritoriality had become uncertain; today, however, we have several recent confirmations by the Supreme Court that the presumption is alive and well. Moreover, as we have seen, the Supreme Court's description of the presumption in *Aramco* appears to conflict with the reasoning in *Steele*, and the lower courts are divided over the proper interpretation of *Steele*. This doctrinal tension and confusion renders questionable Professor Schechter's contention that *Steele* is entitled to "a general presumption in favor of the status quo." Schechter, *supra* note 130, at 633. Finally, as I explain below, the validity of *Steele* is particularly important today in light of the growing number of transnational intellectual property cases being brought in U.S. courts, the increased involvement by the political branches in efforts to protect intellectual property rights abroad, and the increasing overlap between trademark law and patent and copyright law. These developments undermine whatever weight one might otherwise attribute to what Professor Schechter describes as "total congressional inaction on the issue of the extraterritorial reach of the Lanham Act throughout the forty-five years since the decision in *Steele*," something that Professor Schechter himself admits is "undoubtedly an unreliable basis upon which to draw definitive conclusions about Congressional intent." Schechter, *supra* note 130, at 624-25. It seems especially unlikely that Congress has acquiesced in the particular approaches used by the lower courts in applying the Lanham Act extraterritorially—approaches that are in conflict and that

IV. RESOLVING THE TRADEMARK LAW ANOMALY

Neither the difference in the treatment of trademark law as compared with patent and copyright law nor the apparent inconsistency between the trademark approach and the presumption against extraterritoriality conclusively establishes that the trademark approach should be rejected. As for the differential treatment, it is possible that it is justified by differences in the language, nature, or policies of the intellectual property laws. As for the inconsistency with the presumption, it is possible that the presumption should be abandoned in light of the academic criticisms of it. In this Part, I examine these possibilities and conclude that neither adequately resolves the trademark law anomaly.

A. *Differences Between Patent and Copyright Law and Trademark Law*

There are a number of important differences between patent and copyright law and trademark law. Upon close inspection, however, these differences do not appear to justify a broader extraterritorial reach for trademark law.

1. *Statutory Language*

An initial question is whether the differential treatment of trademark law can be justified by the differences in the language of the relevant statutes. As discussed, the commerce language in the Lanham Act does not appear to be sufficient.¹⁶¹ Another textual difference is that the patent statute, unlike the trademark statute, has language expressly referring to the United States. However, while that language obviously does provide strong support for the territoriality of U.S. patent law, it does not provide strong support for a differential treatment of trademark law. As noted above, copyright decisions reach the same conclusion as the patent decisions despite a lack of comparable language in the copyright statute. Moreover, although the principal territorial language of the

involve indeterminate balancing tests rarely adopted by Congress when it expressly makes a statute extraterritorial. In any event, I am not necessarily suggesting that the Supreme Court overrule *Steele*. The decision does, after all, have the force of precedent. But the questionable nature of *Steele*'s reasoning may indicate that, at the least, courts should not read it as providing an expansive mandate for applying the Lanham Act extraterritorially. A narrow construction of *Steele* might not be difficult, given that a substantial amount of the infringing merchandise in that case was being brought into the United States. See *supra* note 118.

161. See *supra* text accompanying notes 141-146 and 154-156.

Patent Act extends back only to 1870, pre-1870 decisions, such as *Brown v. Duchesne*,¹⁶² reached the same conclusion. Further, both those decisions and subsequent decisions rely not only on the particular language of the patent statute, but also more generally on the presumption against extraterritoriality.

Another indication that the territorial treatment of U.S. patent law does not stem solely from the particular wording of the Patent Act is the consistent application by U.S. courts of a territorial approach to *foreign* patent laws. The seminal decision is *Boesch v. Graff*.¹⁶³ In *Boesch*, the defendants imported into the United States lamp-burners that contained an improvement for which the plaintiff owned a U.S. patent. The defendants had purchased the burners in Germany from a person authorized to sell them under German patent law. The question for the Court was whether “a dealer residing in the United States can purchase in another country articles patented there, from a person authorized to sell them, and import them to and sell them in the United States, without the license or consent of the owners of the United States patent.”¹⁶⁴ The only way that this conduct could be found permissible would be to apply the German patent law extraterritorially to conduct in the United States. The Court declined to do so, holding that the German patent law could not authorize the sale of articles in the United States “in defiance of the rights of patentees under a United States patent. . . . The sale of articles in the United States under a United States patent cannot be controlled by foreign laws.”¹⁶⁵ Obviously, *Boesch* and its progeny¹⁶⁶ are not premised on the language of the U.S. patent statute. Rather, they are premised on the view that patent rights and limitations are, by their nature, determined by the country where the activity in question occurs.

162. See *supra* notes 74-78 and accompanying text.

163. 133 U.S. 697 (1890); see also Brian D. Coggio & Adriane M. Antler, The Utilization of United States Patents to Prevent the Importation and Sale of Gray Goods, 83 Trademark Rep. 481, 485 (1993) (describing *Boesch* as “[t]he seminal case involving patent exhaustion, importation and resale”).

164. *Boesch*, 133 U.S. at 702.

165. *Id.* at 703; see also, e.g., *Deepsouth Packing Co. v. Laitram Corp.*, 406 U.S. 518, 531 (1972) (citing *Boesch* as a “cf.” for proposition that “we correspondingly reject the claims of others to such control over our markets”); *Griffin v. Keystone Mushroom Farm, Inc.*, 453 F. Supp. 1283, 1286 (E.D. Pa. 1978) (citing *Deepsouth* for proposition that “a foreign patent system can have no effect in American markets generally”).

166. See, e.g., *Daimler Mfg. Co. v. Conklin*, 170 F. 70, 72 (2d Cir. 1909); *Dickerson v. Tinling*, 84 F. 192, 194 (8th Cir. 1897); *Sanofi, S.A. v. Med-Tech Veterinarian Prods., Inc.*, 222 U.S.P.Q. (BNA) 143, 148-49 (D. Kan. 1983); *Griffin*, 453 F. Supp. at 1285-86.

2. *Substantive Differences*

There are, of course, other differences between trademark law and patent and copyright law. The Constitution specifically grants Congress the power to confer copyright and patent protection,¹⁶⁷ but it says nothing about trademarks. Congress therefore has had to rely on its commerce powers to enact trademark legislation.¹⁶⁸ Copyrights and patents protect artistic creations and inventions,¹⁶⁹ whereas trademark law protects symbols used to distinguish goods and services.¹⁷⁰ Patents and copyrights are granted for only a limited term of years,¹⁷¹ whereas trademarks can receive protection indefinitely.¹⁷² Perhaps most importantly, patent and copyright law confer certain exclusive property rights,¹⁷³ whereas trademark law protects only against similar uses that are likely to cause confusion.¹⁷⁴

Although these differences between patent and copyright law and trademark law are certainly important, they do not appear to justify broader extraterritorial application of trademark law. It is

167. See U.S. Const. art. I, § 8, cl. 8 ("Congress shall have Power . . . [t]o promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries . . .").

168. See *supra* text accompanying notes 114-116.

169. Copyright law protects "original works of authorship fixed in any tangible medium of expression." 17 U.S.C. § 102. Patent protection can be sought for, among other things, "any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof." 35 U.S.C. § 101.

170. The Lanham Act defines the term "trademark" in relevant part to "include[] any word, name, symbol, or device, or any combination thereof . . . used by a person . . . to identify and distinguish his or her goods . . . from those manufactured or sold by others." 15 U.S.C. § 1127.

171. The Constitution authorizes Congress to confer copyright and patent protection "for limited Times." U.S. Const. art. I, § 8, cl. 8. The duration of protection under the current copyright statute is generally the life of the author plus 50 years or, in the case of works for hire, either 75 years from the date of publication or 100 years from creation, whichever expires first. See 17 U.S.C. § 302(a), (c). The duration of protection under the current patent statute is 20 years after the date of application, see 35 U.S.C.A. § 154(a)(2) (West Supp. 1997), except for design patents, which last up to 14 years after the date of issuance. See 35 U.S.C. § 173.

172. The federal trademark registration certificates issued by the Patent and Trademark Office last 10 years but may be renewed repeatedly for additional 10-year terms. See 15 U.S.C. §§ 1058, 1059.

173. Copyright law gives exclusive rights over, *inter alia*, the copying and distribution of copyrighted works. See 17 U.S.C. § 102. Patent law gives an exclusive right to make, use, and sell a patented invention. See 35 U.S.C. § 271.

174. See *supra* note 129 and accompanying text. The federal anti-dilution statute, which was enacted recently as an amendment to the Lanham Act, does not require a likelihood of confusion. Rather, it requires, among other things, that the defendant's conduct "cause[] dilution of the distinctive quality of the [plaintiff's] mark." 15 U.S.C. § 1125(c).

not apparent, for example, why statutes enacted pursuant to a specific grant of constitutional authority, such as the copyright and patent clause, would be more territorially confined than those enacted pursuant to the more general commerce power. That the copyright and patent clause may be more restrictive than the commerce clause with respect to the *subject matter* to which it applies does not suggest that it is more restrictive with respect to the *location* of permissible regulation. Indeed, if anything, Congress may well have more rather than less extraterritorial authority in protecting copyrights and patents, since it may be able to claim constitutional support under both the copyright and patent clause *and* the commerce clause.¹⁷⁵

Some commentators have argued that the extraterritorial application of copyright and patent law would be more problematic than the extraterritorial application of trademark law because it would deprive the foreign market of an artistic or inventive product, whereas extraterritorial application of trademark law would deprive the market only of a symbol.¹⁷⁶ As one commentator explained:

Trademarks serve the public interest by helping consumers to identify and distinguish goods and services. Patents and copyrights, however, serve the more compelling public interest in having information, both artistic expression and technological innovation, widely disseminated. Extraterritorial application of patent and copyright laws would "effectively deprive the marketplace of something that local law has provided shall be available." . . . Conversely, extraterritorial application of trademark laws

175. Cf. *The Authors League of Am., Inc. v. Oman*, 790 F.2d 220, 224 (2d Cir. 1986) (holding that, even if the importation provision in the Copyright Act, 17 U.S.C. § 601(a), is not a valid exercise of copyright power, it is supported by Congress's commerce power); see also 1 Nimmer on Copyright, *supra* note 8, § 1.09, at 1-62.1 ("If the commerce clause is . . . available as a source of federal copyright authority, it would seem that judicial recognition of such authority need not await the enactment of legislation avowedly based upon such authority. If the authority exists, it is available to validate existing, as well as potential, legislation.").

176. See Alan G. Kirios, *Territoriality and International Copyright Infringement Actions*, 22 Copyright L. Symp. (ASCAP) 53, 61-62 (1977); David R. Toraya, *Note, Federal Jurisdiction over Foreign Copyright Infringement Actions—An Unsolicited Reply to Professor Nimmer*, 70 Cornell L. Rev. 1165, 1171-72 n.41 (1985).

would deprive the local marketplace only of the symbol used to market the product, not the product itself.¹⁷⁷

This argument, while superficially plausible, is unpersuasive for several reasons. First, while the argument considers the interests of *foreign* governments, it neglects to consider the interests of the U.S. government. Assuming that foreign governments have a stronger interest in allowing the copying of U.S. inventions and artistic creations than they do in allowing the copying of U.S. trademark symbols, the U.S. government presumably has a *correspondingly higher interest* in preventing such copying. Indeed, the U.S. government in recent years has shown special concern with protecting U.S. copyright and patent industries abroad.

In any event, it is simply untrue that extraterritorial application of patent and copyright law is likely to deprive a foreign market of an invention or artistic creation. This would be true only if the owner of the U.S. patent or copyright were to prevail in the infringement suit *and* decide not to market the item in the foreign market. Presumably, if the owner were to go to the expense of suing to stop another party from marketing an invention or artistic creation in a foreign jurisdiction, the owner would have an interest in engaging in such marketing itself.

Of course, extraterritorial application of copyright and patent law may result in a higher price for the invention or artistic creation in the foreign market. But extraterritorial application of trademark law can also have economic effects in foreign markets, particularly when the law is applied to foreign defendants. Trademarks can be enormously valuable to their owners. To take an extreme example, the "Coca-Cola" trademark has been estimated to be worth nearly forty billion dollars.¹⁷⁸ Although not every trademark has the value of a "Coca-Cola," it is undeniable that trademarks are valuable business assets.¹⁷⁹ Extraterritorial application of trademark law may deprive foreign defendants of such assets. It may also subject them to potentially large damage awards. It is far from clear that these effects on foreign defendants, and thus on foreign markets, will be less severe or less bothersome

177. Toraya, *supra* note 176, at 1171-72 n.41 (citation omitted); see also *Nintendo of Am., Inc. v. Aeropower Co.*, 34 F.3d 246, 250 n.5 (4th Cir. 1994) (quoting this explanation).

178. See Kurt Badenhausen, *Brands: The Management Factor*, *Fin. World*, Aug. 1, 1995, at 51 (estimating the value of the "Coca-Cola" trademark at \$39,050,000,000).

179. See generally Melvin Simensky, *The New Role of Intellectual Property in Commercial Transactions*, 10 *Ent. & Sports Law.* 5 (1992).

to foreign governments than those created by the extraterritorial application of copyright or patent laws.¹⁸⁰

In any event, the sharp distinction drawn between trademark protection of "symbols" and patent and copyright protection of "products" ignores the nature of modern trademark law.¹⁸¹ Today, U.S. trademark law protects far more than words. "Trademark" is defined in the Lanham Act to include "any word, name, symbol, or device, or any combination thereof."¹⁸² This definition has been interpreted to cover a wide range of things other than words, including graphic designs,¹⁸³ colors,¹⁸⁴ container shapes,¹⁸⁵ and

180. Professor Schechter suggests a variation of the above argument. He contends that trademark law is different from patent and copyright law in that trademark law protects the reputation of products, which "can reach a remote foreign market." Schechter, *supra* note 130, at 628. Infringement of a U.S. trademark abroad may therefore not only deprive the owner of sales in the foreign market, it may also "affect the reputation of its goods here in the United States." *Id.* at 629. This "double whammy" harm, he concludes, is "different from, and more extensive than, in patent and copyright cases" and therefore may justify the broader extraterritorial reach given by the courts to trademark law. *Id.*

It is unclear, however, when or how often U.S. trademark owners in fact suffer significant harm to their domestic reputations from foreign infringements. That something is possible does not make it likely. In any event, this potential harm does not adequately explain what the courts actually have been doing. As noted above, the courts have not generally required plaintiffs to submit proof of domestic reputational harm as a predicate to applying the Lanham Act abroad. See *supra* note 130 and accompanying text. But cf. *Atlantic Richfield Co. v. Arco Globus Int'l Co.*, 1997 U.S. Dist. LEXIS 9397, *16 (S.D.N.Y. May 29, 1997) (holding that there was no extraterritorial jurisdiction under the Lanham Act where "Plaintiff did not submit evidence from which this Court could conclude that Defendants' allegedly infringing activity abroad . . . caused consumer confusion in the United States"). Moreover, patent and copyright owners can also be damaged by foreign conduct. As Professor Schechter acknowledges, they may lose sales in the foreign market. In addition, they may suffer their own "double whammy" in that the lost sales may discourage further innovation and creativity. Indeed, the prevention of this second type of harm is one of the principal reasons for U.S. patent and copyright laws. See, e.g., *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 151 (1989) ("[T]he ultimate goal of the patent system is to bring new designs and technologies into the public domain through disclosure."); *Twentieth Century Music Corp. v. Aiken*, 422 U.S. 151, 156 (1975) ("[T]he ultimate aim [of our copyright law] is . . . to stimulate artistic creativity for the general public good."). It is not self-apparent that the secondary harm suffered by patent and copyright owners from extraterritorial infringements is any less significant than that suffered by trademark owners or is any less deserving of the protection of U.S. law.

181. It also ignores the *connection* between symbols and products. For example, one of the purported benefits of trademark protection, even for word marks, is that it facilitates the capture of goodwill and thereby encourages investment in products and services. See Restatement (Third) of Unfair Competition, *supra* note 115, § 9 cmt. c.

182. 15 U.S.C. § 1127.

183. See Restatement (Third) of Unfair Competition, *supra* note 115, § 13 cmt. d ("Symbols and graphic designs are eligible for protection as trademarks under the same principles applicable to other designations."); see also *id.* at Reporters' Note for cmt. d (collecting cases).

184. See *Qualitex Co. v. Jacobson Prods. Co.*, 115 S. Ct. 1300 (1995).

even the configuration of products themselves.¹⁸⁶ Indeed, particularly in recent years, there has been a growing overlap between the subject matter of trademark law and that of patent and copyright law.¹⁸⁷ Thus, to the extent that extraterritorial application of U.S. intellectual property laws causes a deprivation of property in the foreign market, the deprivation may be the same under trademark law as under copyright and patent law.

3. *Rejection of Universality Theory for Trademarks*

Further support for the conclusion that trademark law should not be considered less territorial than patent and copyright law comes from the rejection early in this century, both internationally and domestically, of the "universality" theory of trademarks. That theory, popular in some European countries until the 1930s, viewed trademarks "as an outgrowth of a right of personality which was deemed to be so closely associated with the person of their first user that the marks were held entitled to universal protection beyond the frontiers of the country of origin."¹⁸⁸

The universality theory was never embraced wholesale by U.S. courts. In domestic infringement cases, the Supreme Court, despite reciting some universality language, limited common-law trademark protection to the territory of use.¹⁸⁹ Similarly, the lower courts held that a foreign trademark registration, by itself, did not

185. See, e.g., *In re Morton-Norwich Prods., Inc.*, 671 F.2d 1332 (C.C.P.A. 1982); *Application of Mogen David Wine Corp.*, 328 F.2d 925 (C.C.P.A. 1964).

186. See, e.g., *Kohler Co. v. Moen, Inc.*, 12 F.3d 632 (7th Cir. 1993); *Application of Honeywell, Inc.*, 497 F.2d 1344 (C.C.P.A. 1974).

187. For discussion of this overlap, see Theodore H. Davis, Jr., *Copying in the Shadow of the Constitution: The Rational Limits of Trade Dress Protection*, 80 Minn. L. Rev. 595 (1996); Jay Dratler, Jr., *Trademark Protection for Industrial Designs*, 1988 U. Ill. L. Rev. 887 (1988); Alex Kozinski, *Trademarks Unplugged*, 68 N.Y.U. L. Rev. 960 (1993).

188. Walter J. Derenberg, *Territorial Scope and Situs of Trademarks and Good Will*, 47 Va. L. Rev. 733, 734 (1961); see also Timothy H. Hiebert, *Parallel Importation in U.S. Trademark Law* 29-30 (1994) (discussing universality theory).

189. See, e.g., *United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90, 98-100 (1918); *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403, 420 (1916). Contrary to Professor Schechter's novel "domestic extraterritoriality" argument, see Schechter, *supra* note 130, at 625-28, the federal codification of trademark rights in the Lanham Act—and the attendant grant of nationwide priority rights for registrants under the federal system—did not involve an abandonment of the principle of territoriality. Nationwide priority rights under the Lanham Act are territorial in the same way that rights are territorial under the patent and copyright statutes—they apply throughout the territory of the sovereign that enacted the legislation (the federal government). It is not clear why a change in trademark rights that made them *more* like patent and copyright rights (federal and national rather than common law and local) strengthens the argument for treating them *differently* with respect to their application outside the United States. In any event, Professor Schechter himself

confer trademark rights in the United States.¹⁹⁰ Nevertheless, the universality theory was reflected in cases involving what are now referred to as “gray market goods,” that is, goods lawfully manufactured and trademarked in a foreign country and imported into the United States without the consent of the owner of the U.S. rights in the mark.¹⁹¹ In several decisions in the late nineteenth and early twentieth centuries, federal courts in the Second Circuit denied protection against gray market goods on the theory that, because the trademarks on the goods were lawfully applied in the country of manufacture, the goods were “genuine” and thus could not infringe the rights of the U.S. owner of the marks.¹⁹²

The universality theory was rejected in international law with the adoption in the late nineteenth century of the Paris Convention for the Protection of Industrial Property.¹⁹³ The Convention contains a “national treatment” principle, which has been interpreted as implying a territorial approach to choice of law in trademark cases.¹⁹⁴ In addition, it provides that a “mark duly registered in a country of the Union shall be regarded as independent of marks registered in the other countries of the Union, including the country of origin.”¹⁹⁵ As Professor Derenberg noted, these terms made territoriality “a cornerstone of international trademark law.”¹⁹⁶

In U.S. law, the rejection of the universality theory can be traced to the Supreme Court’s decision in *A. Bourjois & Co. v. Katzel*.¹⁹⁷ In that case, the defendant, a French manufacturer of face powder,

notes some additional (and to my mind persuasive) responses to his argument. See *id.* at 627-28.

190. See cases cited in *United Drug*, 248 U.S. at 100-01.

191. See *K Mart Corp. v. Cartier, Inc.*, 486 U.S. 281, 285 (1988) (defining “gray market”).

192. See *A. Bourjois & Co. v. Katzel*, 275 F. 539, 540 (2d Cir. 1921), *rev’d*, 260 U.S. 689 (1923); *Fred Gretsck Mfg. v. Schoening*, 238 F. 780, 782 (2d Cir. 1916); *Apollinaris Co. v. Scherer*, 27 F. 18, 20 (C.C.S.D.N.Y. 1886).

193. Paris Convention for the Protection of Industrial Property, Mar. 20, 1883, as last revised at Stockholm, July 14, 1967, 21 U.S.T. 1538, 828 U.N.T.S. 305 [hereinafter *Paris Convention*].

194. See *infra* text accompanying notes 218-220.

195. Paris Convention, *supra* note 193, art. 6(3).

196. Derenberg, *supra* note 188, at 734; see also 4 McCarthy on Trademarks and Unfair Competition, *supra* note 9, § 29:1, at 29-5 (“United States adherence to the Paris Convention has been viewed as committing U.S. law to the principle of territoriality embodied in Article 6(3).”); Shira R. Yosher, Comment, Competing in the Shadowy Gray: Protecting Domestic Trademark Holders from Gray Marketeers Under the Lanham Act, 59 U. Chi. L. Rev. 1363, 1371 (1992) (“Because the Paris Convention for the Protection of Industrial Property recognizes that trademark rights are territorial, territoriality seems to be the accepted modern view of trademarks.”) (footnotes omitted).

197. 260 U.S. 689 (1923).

sold its U.S. business and trademarks to the plaintiff but continued to use the trademarks on packages of face powder it sold outside of the United States.¹⁹⁸ The plaintiff, in carrying on the business in the United States, would buy the face powder in bulk from the French company and package it in boxes bearing the trademarks.¹⁹⁹ The plaintiff spent substantial sums on advertising and promotion, such that the U.S. public came to associate the marks with the plaintiff.²⁰⁰ Attempting to take advantage of a favorable exchange rate, the defendant purchased packages of the face powder in France and imported them into the United States for sale.²⁰¹ These packages were similar in appearance and bore the same trademarks as the plaintiff's packaging.²⁰²

The Supreme Court, in an opinion by Justice Holmes, held that the defendant was liable for trademark infringement. Although the defendant had lawfully acquired the face powder, the Court stated that "[o]wnership of the goods does not carry the right to sell them with a specific mark. It does not necessarily carry the right to sell them at all in a given place."²⁰³ For this proposition, the Court analogized to patent law, citing one of the territorial patent decisions discussed above, *Boesch v. Graff*.²⁰⁴ Although the Court acknowledged that "[t]he monopoly in [patent law] is more extensive," it saw "no sufficient reason for holding that the monopoly of a trade mark, so far as it goes, is less complete."²⁰⁵ Accordingly, the Court rejected the defendant's argument that its use of the trademarks in the United States was permissible because the trademarks had been lawfully applied to the packages in France:

It is said that the trade mark here is that of the French house and truly indicates the origin of the goods. But that is not accurate. It is the trade mark of the plaintiff only in the United States and indicates in law, and, it is found, by public understanding, that the goods come from the plaintiff although not made by it.²⁰⁶

198. *Id.* at 690.

199. *Id.* at 690-91.

200. *Id.* at 691.

201. *Id.*

202. *Id.*

203. *Id.* at 692.

204. 133 U.S. 697 (1890); see *supra* text accompanying notes 163-165.

205. *Katzel*, 260 U.S. at 692.

206. *Id.* The Court therefore reversed the court of appeals' decision, which had held that the defendant's use of the marks was lawful. Before the Court issued its ruling, Congress statutorily overruled the court of appeals' decision by enacting the Genuine

Most courts and commentators agree that *Katzel* marked the rejection of the universality theory in U.S. law and, correspondingly, the acceptance of a territorial conception of trademarks.²⁰⁷ Consistent with that understanding, U.S. courts have refused to give extraterritorial effect to foreign trademark laws,²⁰⁸ just as they have, as noted above, refused to give extraterritorial effect to foreign patent laws.²⁰⁹

B. *Viability of the Presumption Against Extraterritoriality*

Another way of justifying the extraterritorial treatment of trademark law (although not its differential treatment with respect to patent and copyright law) would be to challenge the presumption against extraterritoriality. As Professor Sunstein has noted, a judicially-created interpretive norm, such as the presumption against extraterritoriality, is "defensible only to the extent that good substantive and institutional arguments can be advanced on [its]

Goods Exclusion Act, Pub. L. No. 67-318, § 526, 42 Stat. 858, 975 (1922) (current version at 19 U.S.C. § 1526 (1994)). The Genuine Goods Exclusion Act makes it illegal to "import into the United States any merchandise of foreign manufacture if such merchandise . . . bears a trademark owned by a citizen of, or by a corporation . . . created or organized within, the United States . . . unless written consent of the owner of such trademark is produced at the time of making entry." The meaning of this statute has been the subject of substantial controversy. See, e.g., *K Mart Corp. v. Cartier, Inc.*, 486 U.S. 281 (1988) (splintered decision assessing the validity of the Customs Service's interpretation of the statute).

207. For courts reaching this conclusion, see, e.g., *Société des Produits Nestlé, S.A. v. Casa Helvetia, Inc.*, 982 F.2d 633, 636-37 (1st Cir. 1992); *Roger & Gallet v. Janmarie, Inc.*, 245 F.2d 505, 509-11 (C.C.P.A. 1957); *Dial Corp. v. Encina Corp.*, 643 F. Supp. 951, 954 (S.D. Fla. 1986); *Osawa & Co. v. B & H Photo*, 589 F. Supp. 1163, 1171 (S.D.N.Y. 1984); *Bell & Howell: Mamiya Co. v. Masel Supply Co.*, 548 F. Supp. 1063, 1066 (E.D.N.Y. 1982); see also *Weil Ceramics & Glass, Inc. v. Dash*, 878 F.2d 659, 677 n.5 (3d Cir. 1989) (Becker, J., concurring) ("The universality theory is no longer viable."). For similar views by commentators, see, e.g., Restatement (Third) of Unfair Competition, *supra* note 115, § 24 cmt. f; Seth E. Lipner, *The Legal and Economic Aspects of Gray Market Goods* 14-18 (1990); Theodore H. Davis, Jr., *Lever Bros. v. United States and the Legality of Gray Market Imports: A New Shield for United States Trademark Owners in Transnational Markets*, 28 Wake Forest L. Rev. 571, 578-79 (1993).

208. See, e.g., *Benard Indus., Inc. v. Bayer Aktiengesellschaft*, 38 U.S.P.Q.2d (BNA) 1422, 1425 (S.D. Fla. 1996); *Majorica, S.A. v. Majorca Int'l, Ltd.*, 687 F. Supp. 92, 96 (S.D.N.Y. 1988); see also *Ingenohl v. Olsen & Co.*, 273 U.S. 541, 544 (1927) ("A trademark started elsewhere would depend for its protection in Hongkong upon the law prevailing in Hongkong and would confer no rights except by the consent of that law."); *Person's Co. v. Christman*, 900 F.2d 1565, 1568-69 (Fed. Cir. 1990) (rejecting reliance on foreign usage for purposes of priority of rights in United States because "[t]he concept of territoriality is basic to trademark law; trademark rights exist in each country solely according to that country's statutory scheme"); *Fuji Photo Film Co. v. Shinohara Shoji Kabushiki Kaisha*, 754 F.2d 591, 599 (5th Cir. 1985) (same).

209. See *supra* notes 163-166 and accompanying text.

behalf.”²¹⁰ And, as we have seen, some of the arguments advanced by the Supreme Court in support of the presumption against extraterritoriality have been vigorously challenged in recent years.

One way of responding to this attack on the presumption against extraterritoriality would be to question the accuracy of its premise, namely, that the international law, choice-of-law, and congressional intent justifications no longer support the presumption. It could be pointed out, for example, that the legality of extraterritorial regulation is today extremely controversial, as evidenced by the international reaction to the recent Helms-Burton Act and Iran-Libya Sanctions Act, as well as to various applications of U.S. antitrust law.²¹¹ One could also point out that a substantial minority of states still follow a territorial approach to choice of law and that there has been a renewed interest among scholars in the territorial approach in light of dissatisfaction with the lack of guidance and other problems associated with the modern approaches.²¹² In addition, one could point out that, although Congress does pass more legislation today addressing international matters, there is no evidence suggesting that it generally intends its legislation to apply abroad or that, when it does so intend, it lacks the institutional capacity to make this intent clear.

These are important responses, and some of them are highlighted at various points in this Article. The central focus of this Section, however, is more on the *completeness* rather than on the accuracy of the attack on the presumption. As I explain, the attack appears to be particularly incomplete in the area of intellectual property law.

1. *International Law*

One of the justifications for the presumption, as discussed above, is consistency with international law. In that regard, numerous treaties, both bilateral and multilateral, regulate the protection of intellectual property. The principal multilateral intellectual property treaties include the Paris Convention for the Protection of

210. Cass R. Sunstein, *Interpreting Statutes in the Regulatory State*, 103 Harv. L. Rev. 405, 461 (1989).

211. See *infra* note 258.

212. See *supra* note 59; see also Larry Kramer, *Same-Sex Marriage, Conflict of Laws, and the Unconstitutional Public Policy Exception*, 106 Yale L.J. 1965, 1978 (1997) (observing that “there is still nothing remotely close to a consensus on how to think about developing choice-of-law rules”).

Industrial Property,²¹³ the Berne Convention for the Protection of Literary and Artistic Works,²¹⁴ and the Universal Copyright Convention.²¹⁵ Important intellectual property provisions are also contained in the GATT and NAFTA trade agreements.²¹⁶ An examination of these treaties reveals that the public international law regime concerning intellectual property rights is founded on two central principles: (1) the “national treatment” principle; and (2) the “minimum rights” principle.²¹⁷ Both of these principles support a territorial approach to intellectual property laws.

The national treatment principle is a rule of non-discrimination. The precise language varies from treaty to treaty, but in essence this principle requires that foreign nationals be given the same intellectual property protection in each signatory country as is available to the country’s own citizens. The following language from the Paris Convention is illustrative: “Nationals of any country of the Union shall, as regards the protection of industrial property, enjoy in all the other countries of the Union the advantages that their respective laws now grant, or may hereafter grant, to nationals”²¹⁸

As numerous courts and commentators have observed, the national treatment principle implies a territorial approach to choice of law, pursuant to which the applicable law is the law of the place where the conduct in question occurs.²¹⁹ The national treat-

213. Paris Convention, *supra* note 193.

214. Berne Convention for the Protection of Literary and Artistic Works, Sept. 9, 1886, as last revised at Paris, July 24, 1971 (amended 1979), S. Treaty Doc. No. 27, 99th Cong., 2d Sess. (1986), 828 U.N.T.S. 221 [hereinafter Berne Convention].

215. Universal Copyright Convention, opened for signature Sept. 6, 1952, 6 U.S.T. 2732, 216 U.N.T.S. 132, revised by the Universal Copyright Convention, July 24, 1971, 25 U.S.T. 1341, 943 U.N.T.S. 178 [hereinafter Universal Copyright Convention].

216. Agreement on Trade-Related Aspects of Intellectual Property Rights, Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization [hereinafter WTO Agreement], Annex 1C, Legal Instruments—Results of the Uruguay Round vol. 31, 33 I.L.M. 1197 [hereinafter TRIPS]; North American Free Trade Agreement, Dec. 17, 1992, Can.-Mex.-U.S., 32 I.L.M. 289 (entered into force Jan. 1, 1994) [hereinafter NAFTA].

217. See Marshall A. Leaffer, Introduction, in *International Treaties on Intellectual Property* 7-10 (Marshall A. Leaffer ed., 1990).

218. Paris Convention, *supra* note 193, art. 2(1); see also TRIPS, *supra* note 216, art. 3(1); NAFTA, *supra* note 216, art. 1703(1); Berne Convention, *supra* note 214, art. 5(1); Universal Copyright Convention, *supra* note 215, art. II(1).

219. For statements by courts to this effect, see, e.g., *Murray v. British Broad. Corp.*, 81 F.3d 287, 290 (2d Cir. 1996) (national treatment is “a choice-of-law rule mandating that the applicable law be the copyright law of the country in which the infringement occurred”); *Subafilms, Ltd. v. MGM-Pathe Communications Co.*, 24 F.3d 1088, 1097 (9th Cir. 1994) (*en banc*) (“Although the treaties do not expressly discuss choice-of-law rules . . . it is commonly acknowledged that the national treatment principle implicates a rule of

ment principle is needed precisely because each nation's intellectual property laws are assumed *not* to apply extraterritorially. If national intellectual property laws did apply abroad, then there would be less need to protect against discrimination by other countries in the application of their laws. Conversely, with the adoption of the national treatment principle, there is less need to apply laws extraterritorially in order to address such discrimination.²²⁰ Indeed, extraterritorial application of a nation's intellectual property laws could subvert the national treatment principle's non-discrimination approach by allowing right holders from countries with extraterritorial laws to receive more protection abroad than right holders from other countries.

Of course, if countries offer a low level of intellectual property protection to their own citizens, non-discrimination by itself will not guarantee adequate protection of foreign intellectual property interests. Thus, another fundamental feature of the international law regime is that it seeks to impose certain minimum levels of intellectual property protection. For example, the Berne Convention provides that "[t]he term of [copyright] protection granted by this Convention shall be the life of the author and fifty years after his death."²²¹ If a signatory country's national laws provided for a shorter term of protection, its treaty obligation would require it to provide the longer fifty years after the author's death term for

territoriality . . .") (citations omitted); *Vanity Fair Mills, Inc. v. T. Eaton Co.*, 234 F.2d 633, 640 (2d Cir. 1956) ("The [Paris] Convention is not premised upon the idea that the trademark and related laws of each member nation shall be given extraterritorial application, but on exactly the converse principle that each nation's law shall have only territorial application."). For similar statements by commentators, see, e.g., Geller, *International Copyright*, supra note 111, § 3[1][a], at INT-43 (stating that national treatment requires "the application of the law of the protecting country, where infringement takes place"); 4 *Nimmer on Copyright*, supra note 8, § 17.05, at 17-37 (under the national treatment principle, "[t]he applicable law is the copyright law of the state in which the infringement occurred, not that of the state of which the author is a national, or in which the work was first published"); 4 *McCarthy on Trademarks and Unfair Competition*, supra note 9, § 29:25, at 29-46 to 29-47 ("The [Paris] Convention is not premised upon the idea that the trademark laws of each member nation shall be given extraterritorial application, but on exactly the converse principle that each nation's law shall have only territorial application.") (footnote omitted).

220. This point is reflected, for example, in the legislative history of the statute implementing the Berne Convention, where it is acknowledged that "[t]he primary mechanism for discouraging discriminatory treatment of foreign copyright claimants is the principle of national treatment" and that this principle "does not . . . require all countries to have identical legal systems and procedural norms." H.R. Rep. No. 609, 100th Cong., 2d Sess. 43 (1990); see also *Subafilms*, 24 F.3d at 1097 (noting that this language in the legislative history implicitly recognizes a rule of territoriality).

221. Berne Convention, supra note 214, art. 7(1).

rights arising under the treaty. Nothing in that Convention, however, would prevent the country from giving a longer period than the one prescribed by the treaty.

Although somewhat less obvious than with the national treatment principle, the “minimum rights” principle is also inconsistent with extraterritorial application of a nation’s intellectual property laws. This principle envisions and tolerates differences among national laws. Thus, for example, the Berne Convention states: “[A]part from the provisions of this Convention, the extent of protection, as well as the means of redress afforded to the author to protect his rights, shall be governed exclusively by the laws of the country where protection is claimed.”²²² Other intellectual property treaties have similar provisions.²²³ This right to choose the particular standards of local law, over and above the minimum standard, would be undermined if other nations could override that choice through extraterritorial application of their own standards. Moreover, the way in which the minimum rights principle seeks to achieve a desirable level of intellectual property protection abroad—by seeking consensual changes in national laws—is at least in tension with the extraterritorial approach, which involves unilateral imposition of one country’s laws into another country’s territory.²²⁴

222. Id. art. 5(2). The phrase “country where protection is claimed” in the Berne Convention is somewhat ambiguous, see Eugen Ulmer, *Intellectual Property Rights and the Conflict of Laws* 11-12 (1978), but it has been construed to mean the country where the allegedly infringing acts took place. See Geller, *International Copyright*, *supra* note 111, § 1[1], at INT-7; id. § 3[1][a], at INT-42 to 43; see also Ulmer, *supra*, at 13 (“In an action for infringement of rights the application of the rules of the protecting country depends upon the infringement having been committed in that country.”).

223. See, e.g., TRIPS, *supra* note 216, art. 1(1) (“Members may, but shall not be obliged to, implement in their domestic law more extensive protection than is required by this Agreement, provided that such protection does not contravene the provisions of this Agreement.”); NAFTA, *supra* note 216, art. 1702 (“A Party may implement in its domestic law more extensive protection of intellectual property rights than is required under this Agreement, provided that such protection is not inconsistent with this Agreement.”).

224. Professor Schechter contends that the minimum protections offered by international agreements will become increasingly comprehensive and will result in a harmonization of national intellectual property laws. See Schechter, *supra* note 130, at 632. This, he contends, will in turn make the extraterritorial application of U.S. intellectual property law less offensive to foreign nations. Id. Even assuming all of this is true, it is important to keep in mind that the harmonization he envisions will also reduce the *need* for extraterritoriality.

The extent to which harmonization is desirable in this context is an issue beyond the scope of this Article. In evaluating this issue, however, one would need to consider not only the benefits of uniformity but also the costs, including the potential loss of regulatory innovation and competition associated with diversification of legal systems. See generally

For these reasons, even if the international law justification for the presumption has lost force in general, it still tends to support a territorial approach in the area of intellectual property law.

2. *Separation of Powers—Generally*

Another justification for the presumption against extraterritoriality, and one that tends to be ignored by critics,²²⁵ is the constitutional principle of separation of powers. As noted above, the Supreme Court has in several cases justified the presumption against extraterritoriality by reference to separation-of-powers considerations.²²⁶

The separation-of-powers rationale for the presumption begins with the recognition that the extraterritorial application of federal law raises difficult domestic and foreign policy questions. Whether such application is desirable from the U.S. standpoint will depend on factors such as the degree of benefit to U.S. industry, the likelihood and consequences of undermining relationships with foreign governments, and the U.S. posture with respect to international law and international institutions. As a result, judicial activism with respect to extraterritoriality raises at least two sets of separation-of-powers concerns, one relating to competence and the other relating to authority.

First, the judicial branch arguably lacks the institutional competence to decide the sorts of issues mentioned above. Unlike the political branches of the government, the judicial branch does not have access to information relating, for example, to the views of foreign governments and the U.S. strategic and economic interests around the world. In addition, certain characteristics of judicial decisionmaking, such as the case and controversy requirement, the rule of stare decisis, and the need to issue reasoned opinions, undermine the ability of the judicial branch to anticipate and respond to changing foreign political situations.²²⁷ As Professor Garvey has observed, "the courts lack the necessary informational

Michael W. McConnell, *Federalism: Evaluating the Founders' Design*, 54 U. Chi. L. Rev. 1484, 1497-99 (1987) (book review) (describing this argument for U.S. federalism).

225. The only critic that directly addresses the separation-of-powers justification is Jonathan Turley. His views are discussed below. See *infra* text accompanying notes 272-280.

226. See *supra* note 49 and accompanying text.

227. See, e.g., *Chicago & S. Air Lines, Inc. v. Waterman S.S. Corp.*, 333 U.S. 103, 111 (1948) (stating that foreign policy decisions are "of a kind for which the Judiciary has neither aptitude, facilities nor responsibility"). Professor Henkin described the problem as follows:

resources, the ability to adjust to diplomatic nuance and timing, and the appropriate remedial resources to respond to the international political dynamic.”²²⁸

Second, the judicial branch arguably lacks the constitutional authority to be active in this area. Because judges are not elected, and for other reasons, the Constitution assigns principal policy-making authority to the political branches rather than to the judicial branch. As the Supreme Court explained in justifying judicial deference to constructions of federal statutes by executive agencies:

[F]ederal judges—who have no constituency—have a duty to respect legitimate policy choices made by those who do. The responsibilities for assessing the wisdom of such policy choices and resolving the struggle between competing views of the public interest are not judicial ones: “Our Constitution vests such responsibilities in the political branches.”²²⁹

This limitation on judicial authority is particularly strong in the context of foreign affairs, as “[t]he conduct of the foreign relations of our Government is committed by the Constitution to the Executive and Legislative—‘the political’—Departments of the Government.”²³⁰ For these reasons, separation-of-powers considerations suggest that the courts should await political branch direction before applying federal statutes abroad.²³¹

Inevitably, the courts tend to establish rules of more-or-less general applicability, which can only relate to the needs of foreign policy grossly, and on the basis of assumptions and generalizations hardly consonant with flexibility, currentness, and consistency. On the other hand, when the courts do attempt to differentiate, distinguish, and make exceptions, they—unlike the Executive—must deal in doctrines, must justify in reasoned opinion.

Louis Henkin, *The Foreign Affairs Power of the Federal Courts*: *Sabbatino*, 64 Colum. L. Rev. 805, 826 (1964).

228. Jack I. Garvey, *Judicial Foreign Policy-Making in International Civil Litigation: Ending the Charade of Separation of Powers*, 24 Law & Pol’y Int’l Bus. 461, 462 (1993) (footnote omitted).

229. *Chevron U.S.A., Inc. v. Natural Resources Defense Council, Inc.*, 467 U.S. 837, 866 (1984) (quoting *TVA v. Hill*, 437 U.S. 153, 195 (1978)); see also, e.g., *Northwest Airlines, Inc. v. Trans. Workers Union*, 451 U.S. 77, 95 (1981) (“[F]ederal lawmaking power is vested in the legislative, not the judicial, branch of government . . .”).

230. *Oetjen v. Central Leather Co.*, 246 U.S. 297, 302 (1918).

231. Of course, application of a presumption against extraterritoriality, and the resulting effect that the presumption will have on statutory interpretation, could also be described as “activist.” But my claim is that this sort of structural activism—designed to protect the separation of powers between the judiciary and the political branches—fits more

Similar reasoning can be found, in a slightly different context, in the Supreme Court's famous *Sabbatino* decision.²³² There, the issue was whether the Court should recognize an exception to the act of state doctrine for violations of customary international law and thereby allow U.S. courts to pass judgment on the legality of an expropriation of property in Cuba by the Cuban government. The act of state doctrine, in its classic formulation, provides that "the courts of one country will not sit in judgment on the acts of the government of another done within its own territory."²³³ In refusing to recognize the proposed exception to the act of state doctrine, the Court in *Sabbatino* expressed concerns about both its authority and its competence. The Court explained that allowing the exception would present a danger of judicial interference with the foreign affairs activities and prerogatives of the Executive.²³⁴ The Court noted, among other things, that "[p]iecemeal dispositions of this sort [by the courts] could seriously interfere with negotiations being carried on by the Executive Branch and might prevent or render less favorable the terms of an agreement that could otherwise be reached."²³⁵ The Court also expressed concern about its ability to balance the various interests at issue when evaluating foreign government acts.²³⁶ The same comments can be made with respect to judicial activism in applying federal statutes to extraterritorial conduct.²³⁷

The separation-of-powers justification for the presumption is illustrated nicely by the *Aramco* decision and Congress's reaction to that decision. In *Aramco*, the Court, relying on the presumption, concluded that Title VII of the Civil Rights Act of 1964 did not apply to conduct abroad. In doing so, it expressed concern that, if the statute were applied extraterritorially, it would by its

comfortably within the competence and authority of the judiciary than activism in applying statutes extraterritorially.

232. See *Banco Nacional de Cuba v. Sabbatino*, 376 U.S. 398 (1964).

233. *Underhill v. Hernandez*, 168 U.S. 250, 252 (1897).

234. *Sabbatino*, 376 U.S. at 431-34; see also *W.S. Kirkpatrick & Co. v. Environmental Tectonics Corp.*, 493 U.S. 400, 404 (1990) (describing the act of state doctrine as "a consequence of domestic separation of powers").

235. *Sabbatino*, 376 U.S. at 432.

236. See, e.g., *id.* at 434 n.39 ("Balancing the undesirability of such a result [discouraging certain imports into this country] against the likelihood of furthering other national concerns is plainly a function best left in the hands of the political branches.").

237. Although my argument is similar to the reasoning of *Sabbatino*, there is at least one important difference—my analysis does not necessarily require the preemption of state law. See *infra* note 280; cf. *Sabbatino*, 376 U.S. at 425-27 (holding that the act of state doctrine is a matter of federal common law binding on the states).

terms apply not only to U.S. employers abroad but also to foreign employers in their home countries.²³⁸ The Court also expressed concern regarding the lack of any statutory guidance about how to resolve conflicts between the requirements of Title VII and the requirements of foreign law.²³⁹ The Court concluded by noting that "Congress, should it wish to do so, may . . . amend Title VII and in doing so will be able to calibrate its provisions in a way that we cannot."²⁴⁰

Congress quickly overruled *Aramco* by statute.²⁴¹ Importantly, however, in amending Title VII, Congress answered some of the difficult questions that had concerned the Court. In particular, Congress made clear that the statute did not cover extraterritorial activities of non-U.S.-controlled companies and that it did not require employers to violate foreign law. There is no reason to think that Congress would have addressed these issues, at least this quickly, had it not been for the Court's application of the presumption in *Aramco*. The presumption thus appears to have had the effect of forcing Congress to focus specifically on the political problems and uncertainties raised by extraterritoriality. This is as it should be. As one commentator recently explained, the political branches should "tak[e] on the lion's share in determining when, and explaining why, U.S. law should or should not be applied extraterritorially. This is the mandate of *Aramco*."²⁴²

238. *Aramco*, 499 U.S. at 255.

239. *Id.* at 256.

240. *Id.* at 259.

241. See Civil Rights Act of 1991, Pub. L. No. 102-166, 105 Stat. 1071 (codified at 42 U.S.C. § 2000e(f) (1994)). As one Senator explained, the amendment was designed to "overrule the Supreme Court's decision in the *Aramco* case, and extend the protections of [Title VII] . . . to American citizens working overseas for American employers." 137 Cong. Rec. S15,235 (daily ed. Oct. 25, 1991) (statement of Sen. Kennedy).

242. Mark P. Gibney, *The Extraterritorial Application of U.S. Law: The Perversion of Democratic Governance, the Reversal of Institutional Roles, and the Imperative of Establishing Normative Principles*, 19 B.C. Int'l & Comp. L. Rev. 297, 310 (1996). The presumption against extraterritoriality is thus similar to other presumptions and "clear statement" rules employed by the Supreme Court in sensitive areas such as states' rights. See Kramer, *Vestiges of Beale*, *supra* note 1, at 182-83 ("*Aramco* is thus of a piece with much of the Court's recent jurisprudence on statutory interpretation, which seeks to limit judicial discretion and in this way to shift responsibility for articulating details to Congress.") (footnote omitted); see also Bradley & Goldsmith, *supra* note 39, at 868-69 (discussing the relevance of such limiting rules to the status of customary international law in U.S. courts).

A full evaluation of the effect of this "interpretive regime"²⁴³ on congressional behavior would require consideration of issues beyond the scope of this Article. But both the feasibility and desirability of the *Aramco* approach would seem to be supported by the numerous examples of statutes in which Congress has provided guidance about extraterritoriality.²⁴⁴ A recent example is the Economic Espionage Act of 1996, which, among other things, provides for criminal enforcement of trade secret protection.²⁴⁵ That statute includes a provision specifically addressing the issue of extraterritoriality:

This chapter also applies to conduct occurring outside the United States if—

- (1) the offender is a natural person who is a citizen or permanent resident alien of the United States, or an organization organized under the laws of the United States or a State or political subdivision thereof; or
- (2) an act in furtherance of the offense was committed in the United States.²⁴⁶

Two things are noteworthy about this provision. First, for foreign defendants, it requires that an act take place in the United States and thus does not rely on the effects-oriented tests commonly used by courts when they deviate from the presumption against extraterritoriality. Second, it does not use a list of balancing factors—if the offender is a U.S. citizen or corporation or commits an act in the United States in furtherance of the offense, the statute applies. In light of what they have done in other areas, it is unlikely that courts attempting to apply the statute abroad would have come to these conclusions in the absence of this statutory guidance. There are a number of other examples of statutes that have provided express guidance regarding extraterritorial scope.²⁴⁷ The existence and variety of these provisions suggest both that Congress has the ability to specify the extraterritorial reach of its stat-

243. See William N. Eskridge, Jr., *Dynamic Statutory Interpretation* 275-306 (1994) (discussing canons of construction as "interpretive regimes").

244. See *Aramco*, 499 U.S. at 258 ("Congress's awareness of the need to make a clear statement that a statute applies overseas is amply demonstrated by the numerous occasions on which it has expressly legislated the extraterritorial application of a statute.").

245. See Pub. L. 104-294, 110 Stat. 3488 (1996). For a discussion of the Act, see James H.A. Pooley et al., *Understanding the Economic Espionage Act of 1996*, 5 *Tex. Intell. Prop. L.J.* 177 (1997).

246. 110 Stat. at 3490.

247. See *Aramco*, 499 U.S. at 258 (citing examples).

utes and that, without such guidance, the judiciary is unlikely to duplicate what Congress would have done had it addressed the issue.

These provisions may also demonstrate, as some critics of the presumption claim,²⁴⁸ that Congress today no longer regulates primarily with domestic conditions in mind. If so, the legislative focus justification for the presumption may be outdated. But that does not prove that the presumption itself is outdated. Indeed, it is arguable that the increase in international legislation actually *heightens* rather than decreases the need for the presumption. The political branches do not operate in a vacuum. One influence on them is the set of background rules employed by the courts. The presumption is part of these background rules, and, to the extent that it encourages Congress to focus on and provide guidance about extraterritoriality, it continues to be useful.²⁴⁹

By contrast, when the courts have attempted to exercise independent authority to extend federal statutes extraterritorially, they have floundered. A typical judicial response is to invent a list of "balancing factors" relating to the domestic and foreign interests at issue and to "weigh" these factors to determine whether a particular statute applies extraterritorially under the facts of the particular case. This balancing approach has been the subject of extensive criticism, both from courts and commentators.²⁵⁰ As these critics have pointed out, the balancing approach tends to give the courts little guidance. To recite a famous line from Judge Easterbrook, the balancing approach asks courts to "throw a heap of factors on a table and . . . slice and dice to taste."²⁵¹ One result is an excess of judicial authority, a particular concern here because of the foreign affairs issues that are implicated. Another result is bias. In part

248. See *supra* text accompanying notes 60-62.

249. See Sunstein, *supra* note 210, at 458 ("Clear-statement principles force Congress expressly to deliberate on an issue and unambiguously to set forth its will . . ."); *id.* at 477 ("Courts should construe statutes so that those who are politically accountable and highly visible will make regulatory decisions."). For an analogy to the use by courts of gap-filling principles in contract law, see *id.* at 453.

250. For judicial criticism, see, e.g., *Zoelsch v. Arthur Andersen & Co.*, 824 F.2d 27, 32 n.2 (D.C. Cir. 1987); *Laker Airways Ltd. v. Sabena*, 731 F.2d 909, 948-52 (D.C. Cir. 1984); *In re Uranium Antitrust Litigation*, 480 F. Supp. 1138, 1148 (N.D. Ill. 1979). For academic criticism, see, e.g., Jill E. Fisch, *Imprudent Power: Reconsidering U.S. Regulation of Foreign Tender Offers*, 87 Nw. U. L. Rev. 523, 566 (1993); Kramer, *Extraterritorial Application*, *supra* note 6, at 755; Harold G. Maier, *Interest Balancing and Extraterritorial Jurisdiction*, 31 Am. J. Comp. L. 579, 581-82 (1983).

251. *Reinsurance Co. of Am., Inc. v. Administratia Asigurarilor de Stat*, 902 F.2d 1275, 1283 (7th Cir. 1990) (Easterbrook, J., concurring).

because of their relative inability to assess foreign interests, U.S. courts are likely to favor U.S. interests over foreign interests in making the balance, something that might be entirely proper for a legislator but which raises fairness concerns when done by a court. In addition, potential litigants are given little advance notice about whether their conduct is subject to regulation. The unpredictability and lack of notice are likely both to distort business decisions and lead to substantial litigation. They also raise additional fairness concerns.²⁵²

The presumption against extraterritoriality avoids, or at least reduces, these problems by employing a categorical approach: it denies extraterritoriality in the absence of clear legislative guidance. This categorical approach does have the effect, as some critics have pointed out, of being in some cases either underinclusive or overinclusive with respect to avoiding conflicts with foreign nations.²⁵³ It will in some cases be underinclusive because some conflicts can be created by territorial applications of U.S. law. It will in some cases be overinclusive in that it will prevent application of U.S. law abroad even in situations where a conflict is unlikely. But this objection to the presumption would seem to be one that could be made against almost any rule. Rules by their nature do not perfectly implement policy goals in every case.²⁵⁴ Notwithstanding this aspect of rules, they often are preferable to case-by-case decisionmaking.²⁵⁵ As for the presumption against extraterritoriality, there is certainly no evidence to contradict the common sense notion that conflicts with foreign nations are more likely with respect to extraterritorial applications than with respect to territorial applications. In any event, this objection assumes that the principal justification for the presumption is the promotion of international comity, whereas in fact the Supreme Court has articulated at least five justifications for the presumption.²⁵⁶ Moreover,

252. For a discussion of similar concerns raised by judicially-created tests in the area of personal jurisdiction, see Michael B. Mushlin, *The New Quasi In Rem Jurisdiction: New York's Revival of a Doctrine Whose Time Has Passed*, 55 *Brooklyn L. Rev.* 1059, 1117-18 (1990).

253. See Born, *A Reappraisal*, *supra* note 7, at 76; Kramer, *Vestiges of Beale*, *supra* note 1, at 211-12.

254. See Antonin Scalia, *The Rule of Law As a Law of Rules*, 56 *U. Chi. L. Rev.* 1175, 1177 (1989).

255. For a discussion of some of the benefits and costs of rules, see Cass R. Sunstein, *Problems with Rules*, 83 *Cal. L. Rev.* 953 (1995). For an economic analysis of rules versus standards and the problem of over- and under-inclusiveness, see Louis Kaplow, *Rules Versus Standards: An Economic Analysis*, 42 *Duke L.J.* 557 (1992).

256. See *supra* notes 38-49 and accompanying text.

in recent decisions, the Court has made clear that the presumption is warranted even in the absence of a potential conflict with foreign nations.²⁵⁷

Of course, the presumption against extraterritoriality is not the only possible categorical approach. An alternative would be a presumption going the other way, in other words applying statutes to conduct abroad unless Congress specifies otherwise. Such an approach might be even more likely to prompt Congress to clarify its extraterritorial intent, or lack thereof. But it is not an attractive alternative. Many statutes are written in general, sweeping terms, for example covering "any person," "any contract," or "all commerce." Employing a categorical presumption in favor of extraterritoriality would result in severe conflicts with foreign nations, unless tempered somehow by extra-textual considerations.²⁵⁸ Moreover, even if Congress is more globally focused today than in the past, there is no empirical evidence suggesting that Congress *generally* wishes to regulate foreign conduct. Congress certainly has not attempted to pass a general statute either abolishing the presumption against extraterritoriality or, more drastically, requiring a presumption in favor of extraterritoriality. For these and other reasons, when courts deviate from the presumption, they tend not to adopt a categorical approach in favor of extraterritoriality.

One possible exception to this tendency is the Supreme Court's decision in *Hartford Fire Insurance Co. v. California*.²⁵⁹ In that case, the Court held that the Sherman Act applied to an alleged

257. See *Sale v. Haitian Ctrs. Council, Inc.*, 509 U.S. 155, 173-74 (1993) (applying presumption to bar application of immigration statute to conduct on high seas); *Smith v. United States*, 507 U.S. 197, 204 n.5 (1993) (applying presumption to bar application of Federal Tort Claims Act to conduct in Antarctica); see also *Argentine Republic v. Amerasia Hess Shipping Corp.*, 488 U.S. 428, 440 (1989) ("When it desires to do so, Congress knows how to place the high seas within the jurisdictional reach of a statute.") (footnote omitted).

258. Thus, for example, citing "the international complications likely to arise," the court in *Alcoa* declined to construe the antitrust laws as extending extraterritorially to the full reaches of the statutory language. *United States v. Aluminum Co. of Am.*, 148 F.2d 416, 443 (2d Cir. 1945) (en banc). Even so, extraterritorial application of U.S. antitrust law has "caused considerable friction between the United States and its trading partners, leading to diplomatic protests, foreign blocking statutes, antisuit injunctions, and other forms of reaction." Born, *International Civil Litigation*, supra note 3, at 585. The substantial international controversy surrounding the Helms-Burton Act, supra note 62, is a further example of the friction that can be generated by broad extraterritorial application of U.S. law. See, e.g., Steven Lee Myers, *Clinton Troubleshooter Discovers Big Trouble from Allies on Cuba*, N.Y. Times, Oct. 23, 1996, at A1, A14.

259. 509 U.S. 764 (1993).

conspiracy overseas to restrict the terms of insurance coverage available in the United States. A number of commentators have read that decision as holding that, in the absence of a direct conflict with foreign law, the Sherman Act applies extraterritorially whenever the conduct in question "was meant to produce and did in fact produce some substantial effect in the United States."²⁶⁰ In other words, they have read it as precluding any balancing analysis in antitrust cases except in the rare instance in which there is a direct conflict.²⁶¹

As an initial matter, it is far from clear that this is a correct reading of the Court's holding. The Court stated that the "only substantial question" was whether there was a conflict with foreign law, and that the Court had no need "in this litigation" to consider other comity factors.²⁶² Although commentators have construed those statements to mean that comity analysis is *never* appropriate in the absence of a conflict with foreign law, the Court's statements are ambiguous at best. It is quite possible that the Court meant simply that the only relevant comity factor *in that case* was conflict with foreign law and that the Court did not mean to preclude consideration of other factors in other cases. Indeed, a general preclusion of comity balancing analysis would have been a sufficiently dramatic departure from lower court precedent that it is reasonable to expect that the Court would have been more express about this point if that is in fact what it had in mind.

This narrower reading of *Hartford Fire* is consistent with the way in which the extraterritoriality issue was adjudicated in the lower courts in that case. The district court had held that the conflict with English law and policy was not outweighed by the other comity factors,²⁶³ whereas the court of appeals had held that the other

260. *Id.* at 796.

261. See, e.g., Robert P. Alford, *The Extraterritorial Application of Antitrust Laws: A Postscript on Hartford Fire Insurance Co. v. California*, 34 Va. J. Int'l L. 213, 220 (1993); Kramer, *Extraterritorial Application*, *supra* note 6, at 754; Lowenfeld, *Conflict*, *supra* note 40, at 49; Robert C. Reuland, *Hartford Fire Ins. Co., Comity, and the Extraterritorial Reach of United States Antitrust Laws*, 29 Tex. Int'l L.J. 159, 161 (1994); Phillip R. Trimble, *The Supreme Court and International Law: The Demise of Restatement Section 403*, 89 Am. J. Int'l L. 53, 56 (1995) [hereinafter Trimble, *The Supreme Court and International Law*]. But see Russell J. Weintraub, *Book Review: Choosing Law with an Eye on the Prize*, 15 Mich. J. Int'l L. 705, 711-12 (1994) (noting that the Court was not clear about this point).

262. *Hartford Fire*, 509 U.S. at 798, 799.

263. See *In re Insurance Antitrust Litig.*, 723 F. Supp. 464, 490 (N.D. Cal. 1989), *rev'd*, 938 F.2d 919 (9th Cir. 1991), *aff'd in part, rev'd in part*, 509 U.S. 764 (1993).

factors did outweigh the conflict.²⁶⁴ The Supreme Court's conclusion that there was no conflict by itself resolved the dispute between those courts.²⁶⁵ This reading of *Hartford Fire* also appears to be the one recently adopted by the Ninth Circuit, the very circuit from which the *Hartford Fire* case arose.²⁶⁶ Moreover, this reading is consistent with the position taken by the Solicitor General's Office as *amicus curiae* in *Hartford Fire*. That Office argued that the Court should retain the comity balancing approach but should nevertheless affirm the extraterritorial application of the antitrust laws in the particular case because of the absence of a true conflict.²⁶⁷ The lack of conflict, argued the Solicitor General's Office, was dispositive of the issues in the case because "[n]either petitioners nor their amici argue[d] that in the absence of conflict the district court should [have] refrain[ed] from exercising jurisdiction."²⁶⁸

Assuming the Court *did* mean to preclude comity balancing in the absence of a direct conflict, its holding still would not be a complete presumption in favor of extraterritoriality. First, the Court was not holding that the statute applies extraterritorially to "every contract," even though that is what the statute purports to regulate. Second, the Court would allow balancing at least where there is a direct conflict with foreign law, so its approach would not be completely categorical. Third, it is possible that, in light of a 1982 amendment to the antitrust laws, the Court's holding can be explained without regard to any form of presumption in favor of extraterritoriality. Section 402 of the Foreign Trade Antitrust Improvements Act of 1982 states that the Sherman Act does not

264. See *In re Insurance Antitrust Litig.*, 938 F.2d 919, 934 (9th Cir. 1991), *aff'd in part, rev'd in part*, 509 U.S. 764 (1993).

265. See Andreas F. Lowenfeld, *General Course on Private International Law*, 245 *Recueil Des Cours* 9, 55 (1994) [hereinafter Lowenfeld, *General Course*] ("Thus the majority was able to avoid deciding between the approach of the District Court which considered the *conflict* between United States and British law as decisive, and the view of the Court of Appeals, which viewed the *effect* of the challenged activity in the United States as controlling, in spite of the conflict with British law and policy.") (emphasis in original). Despite this account of the case, Professor Lowenfeld assumes (without explanation) that the Court meant to preclude the comity balancing analysis in the absence of a conflict. See *id.* at 58.

266. See *Metro Indus., Inc. v. Sammi Corp.*, 82 F.3d 839, 846 n.5 (9th Cir. 1996) ("While *Hartford Fire Ins.* overruled our holding . . . that a foreign government's encouragement of conduct which the United States prohibits would amount to a conflict of law, it did not question the propriety of the jurisdictional rule of reason or the seven comity factors . . .").

267. See Brief for the United States as Amicus Curiae at 10, 22-29, *Hartford Fire Ins. Co. v. California*, 509 U.S. 764 (1993) (Nos. 91-1111, 91-1128).

268. *Id.* at 29.

apply to conduct involving foreign trade or commerce, other than import trade or import commerce, *unless* "such conduct has a direct, substantial, and reasonably foreseeable effect" on domestic or import commerce.²⁶⁹ Arguably, this amendment endorses an extraterritorial effects test with respect to antitrust law.

Even with these qualifications, the holding of *Hartford Fire* (as construed by commentators) does not offer an attractive alternative to the presumption against extraterritoriality. The Court's decision has been heavily criticized because of the likelihood that it will generate conflicts with foreign nations.²⁷⁰ Indeed, because of its potential for generating conflicts, lower courts have resisted extending it to other areas of law, including trademark law.²⁷¹

The only critic of the presumption against extraterritoriality who has focused on the separation-of-powers issue is Professor Turley. Turley makes essentially two arguments.²⁷² First, he contends that courts have increasingly disregarded separation-of-powers concerns with respect to judicial involvement in foreign affairs and that "[t]he past institutional legitimacy arguments . . . will continue to lose potency as courts adopt a more expansive institutional perspective."²⁷³ This argument has a strong element of bootstrapping in that it suggests that concerns about judicial power depend on the judiciary's own view of those concerns. In any event, Turley overstates the extent to which the courts have moved away from the separation-of-powers considerations. Even with respect to the political question doctrine, which is his principal example, the one field in which the courts still strictly enforce the doctrine is foreign affairs.²⁷⁴ Moreover, although "it is error to suppose that every

269. Pub. L. No. 97-290, § 402, 96 Stat. 1246, 1246 (codified at 15 U.S.C. § 6a (1994)).

270. See, e.g., Alford, *supra* note 261; Kenneth Dam, *Extraterritoriality in an Age of Globalization: The Hartford Fire Case*, 1993 Sup. Ct. Rev. 289; Lowenfeld, *Conflict*, *supra* note 40. But see Trimble, *The Supreme Court and International Law*, *supra* note 261 (arguing that the Court's approach in *Hartford Fire* was a proper application of customary international law principles concerning prescriptive jurisdiction).

271. See, e.g., *In re Maxwell Communication Corp.*, 93 F.3d 1036, 1051 (2d Cir. 1996) (bankruptcy); *Sterling Drug, Inc. v. Bayer AG*, 14 F.3d 733, 747 (2d Cir. 1994) (trademark).

272. See Turley, *Dualistic Values*, *supra* note 49, at 232-38.

273. *Id.* at 232.

274. See, e.g., *United States v. Martinez*, 904 F.2d 601, 602 (11th Cir. 1990) ("Where, as here, the controversy involves Presidential and Congressional handling of a foreign affairs matter, the political question doctrine routinely precludes judicial scrutiny."); see also Peter W. Low & John C. Jeffries, Jr., *Federal Courts and the Law of Federal-State Relations* 123 (3d ed. 1994) ("[S]uccessful resort to the political question doctrine in purely domestic disputes is rare. . . . The doctrine appears, however, to have greater vitality in foreign affairs.").

case or controversy which touches foreign relations lies beyond judicial cognizance,"²⁷⁵ the courts continue to give substantial deference to the political branches in a number of other foreign affairs areas, such as recognition of foreign governments,²⁷⁶ head-of-state immunity,²⁷⁷ and extraterritorial law enforcement.²⁷⁸

Turley's second argument is that, as Congress has increasingly regulated foreign conduct, the courts have gained institutional competence with respect to extraterritoriality. He asserts that, "[a]s the uniqueness of extraterritorial regulation diminishes, so too does the institutional dilemma for courts."²⁷⁹ But the conclusion that he draws from this—that the presumption against extraterritoriality should be abandoned—appears to be a non sequitur. That Congress is increasingly specifying the extraterritorial reach of its statutes does not give courts more expertise in doing so *on their own*. Nor is it clear how courts could gain such expertise because, as discussed, the appropriate extraterritorial reach of federal statutes depends on information and policy distinctions not available to the courts. Moreover, even putting aside the competence issue, Turley's argument fails to address the constitutional legitimacy problems associated with the federal courts making policy in this area.²⁸⁰

275. *Baker v. Carr*, 369 U.S. 186, 211 (1962).

276. See, e.g., *National Petrochemical Co. of Iran v. M/T Stolt Sheaf*, 860 F.2d 551, 553 (2d Cir. 1988) ("[T]he Supreme Court has acknowledged the President's exclusive authority to recognize or refuse to recognize a foreign state or government and to establish or refuse to establish diplomatic relations with it."); *United States v. Noriega*, 746 F. Supp. 1506, 1519 (S.D. Fla. 1990) ("[R]ecognition of foreign governments and their leaders is a discretionary foreign policy decision committed to the Executive Branch and thus conclusive upon the courts.").

277. See, e.g., *In re Doe*, 860 F.2d 40, 45 (2d Cir. 1988) ("[I]n the constitutional framework, the judicial branch is not the most appropriate one to define the scope of immunity for heads-of-state."); *Jungquist v. Nahyan*, 940 F. Supp. 312, 321 (D.D.C. 1996) ("Head of State immunity . . . extends only to the person the United States government acknowledges as the official head-of-state. . . . Recognition of a government and its officers is the exclusive function of the Executive Branch, to which the courts must defer.") (citations omitted).

278. See *United States v. Alvarez-Machain*, 504 U.S. 655, 669 n.16 (1992) (emphasizing, in the context of extraterritorial abduction of a criminal defendant, the "advantage of the diplomatic approach to the resolution of difficulties between two sovereign nations, as opposed to unilateral action by the courts of one nation"); see also Anne-Marie Slaughter Burley, *Are Foreign Affairs Different?*, 106 Harv. L. Rev. 1980, 1994 (1993) (noting that courts tend to be diffident in cases touching on foreign affairs even in the absence of the political question doctrine).

279. Turley, *Dualistic Values*, *supra* note 49, at 236.

280. The separation-of-powers justification for the presumption might help explain the apparent anomaly in this country whereby federal laws are subject to the presumption against extraterritoriality but state laws are not. See Brilmayer & Norki, *supra* note 14, at

3. *Separation of Powers—Intellectual Property*

The separation-of-powers justification for the presumption against extraterritoriality has special force in the area of intellectual property law. The political branches have been actively engaged in recent years in foreign affairs activities relating to intellectual property. These activities have included the negotiation of bilateral and multilateral international agreements to improve intellectual property protection worldwide; the use of threatened trade sanctions to induce foreign countries to improve or better enforce their intellectual property laws; and the resort to international dispute settlement procedures, most notably those established in connection with the World Trade Organization.²⁸¹

In light of these international activities by Congress and the Executive, it is problematic for the judiciary to be applying U.S. intellectual property laws to conduct in foreign countries. Extraterritorial application may offend foreign governments and thus interfere with the negotiation of international agreements.²⁸² It may also conflict with U.S. foreign policy interests outside the area of intellectual property. In addition, it may conflict with positions taken by the United States in international diplomacy or before international institutions.

One of the approaches taken by the political branches in recent years—the use of threatened trade sanctions—warrants additional discussion. These threats are typically made pursuant to the “Special 301” provision of the Omnibus Trade and Competitiveness Act

1224-33. The separation-of-powers justification stems from concerns relating to the powers and interaction of the branches of the *federal* government. As a result, although states *could* (and perhaps *should*) reach similar structural conclusions about their own governmental systems, there may be no supremacy reason why they would be *required* to do so. This may mean that federal courts in a sense have less extraterritorial authority than state courts, but this is not necessarily surprising given that the federal courts, unlike the state courts, are courts of limited jurisdiction and lack general common lawmaking power. See *City of Milwaukee v. Illinois*, 451 U.S. 304, 312 (1981); *Northwest Airlines, Inc. v. Transport Workers Union*, 451 U.S. 77, 95 (1981); *Erie R.R. Co. v. Tompkins*, 304 U.S. 64, 78 (1938). For a similar point regarding the relative power of state and federal courts to apply customary international law, see Bradley & Goldsmith, *supra* note 39, at 852-59, 870 & n.345.

281. The United States has already pursued a number of intellectual property cases before the World Trade Organization. For a discussion of the WTO's dispute resolution process as applied to intellectual property matters, see Rochelle Cooper Dreyfuss & Andreas F. Lowenfeld, *Two Achievements of the Uruguay Round: Putting TRIPS and Dispute Settlement Together*, 37 Va. J. Int'l L. 275 (1997).

282. See, e.g., 3 Nimmer on Copyright, *supra* note 8, § 12.04 [A][3][b], at 12-92 to 12-93 n.103 (noting that extraterritorial application of copyright law could interfere with efforts to persuade China to improve its own intellectual property protection).

of 1988.²⁸³ This provision requires the United States Trade Representative (USTR) to identify foreign countries that deny "adequate and effective protection of intellectual property rights" or "fair and equitable market access to United States persons that rely upon intellectual property protection."²⁸⁴ Once it has done so, the USTR must determine whether any of these countries should be designated as "priority foreign countries." Such countries are those that "have the most onerous or egregious acts, policies, or practices," and "whose acts, policies, or practices . . . have the greatest adverse impact (actual or potential) on the relevant United States products."²⁸⁵ Countries that are negotiating in good faith with the United States or "making significant progress in bilateral or multilateral negotiations" may not be labeled priority foreign countries.²⁸⁶

Within thirty days of identifying a country as a priority foreign country, the USTR must initiate an investigation of that country's acts, practices, or policies.²⁸⁷ It need not do so, however, if it concludes that such an investigation "would be detrimental to United States economic interests."²⁸⁸ The USTR must ordinarily complete its investigation within six months.²⁸⁹ The investigation can be extended by three months, however, if the investigation involves complex issues, the foreign country is "making substantial progress in drafting or implementing . . . measures provid[ing] adequate and effective protection of intellectual property rights," or the "foreign country is undertaking enforcement measures to provide adequate and effective protection."²⁹⁰

Following a Special 301 investigation, the USTR may impose sanctions, such as raising tariffs on a country's exports to the United States.²⁹¹ The USTR may forego sanctions where, for example, they would "have an adverse impact on the United States economy substantially out of proportion to the benefits of such

283. Omnibus Trade and Competitiveness Act of 1988, Pub. L. No. 100-418, 102 Stat. 1107 (codified in scattered sections of 19 U.S.C.). For more detailed discussion of the Special 301 provision, see Judith H. Bello & Alan F. Holmer, "Special 301": Its Requirements, Implementation, and Significance, 13 *Fordham Int'l L.J.* 259 (1989-1990).

284. 19 U.S.C. § 2242(a)(1)(A), (B) (1994).

285. *Id.* § 2242(b)(1)(A), (B).

286. *Id.* § 2242(b)(1)(C).

287. *Id.* § 2412(b)(2)(A).

288. *Id.* § 2412(b)(2)(B).

289. *Id.* § 2414(a)(3)(A).

290. *Id.* § 2414(a)(3)(B).

291. *Id.* § 2411(c)(1).

action,” or where they would “cause serious harm to the national security of the United States.”²⁹²

As is apparent from the statutory language, the Special 301 process is fraught with political complications. Among other things, the process, as described above, requires assessments of U.S. economic and political interests, the status of negotiations being conducted by the political branches of the U.S. government, and the likelihood that particular sanctions will be effective. These assessments—deemed by Congress to be relevant to U.S. efforts to protect intellectual property interests overseas—cannot easily be made by courts. Moreover, the principal goal of the Special 301 process is not to impose U.S. intellectual property laws onto other countries, but rather “to seek enactment and effective enforcement by foreign countries of laws which recognize and adequately protect intellectual property.”²⁹³ As a result, there may be tension and inconsistency between what the political branches are doing in this area and extraterritorial applications of U.S. law by the judiciary.²⁹⁴

The Supreme Court recognized the relevance of these separation-of-powers concerns to intellectual property law as early as 1857, in a case applying the presumption against extraterritoriality to patent law. The Court stated:

292. *Id.* § 2411(a)(2)(B)(iv) and (v).

293. H.R. Conf. Rep. No. 576, 100th Cong., 2d Sess. 522 (1988), reprinted in 1988 U.S.C.C.A.N. 1547, 1555.

294. The United States has invoked the Special 301 process several times in recent years against China. The result each time has been intense, complicated negotiations leading to last-minute agreements. See, e.g., Robert B. Frost, Jr., Comment, Intellectual Property Rights Disputes in the 1990s Between the People's Republic of China and the United States, 4 *Tul. J. Int'l & Comp. L.* 119 (1995); Gregory S. Feder, Note, Enforcement of Intellectual Property Rights in China: You Can Lead a Horse to Water, but You Can't Make It Drink, 37 *Va. J. Int'l L.* 223 (1997); Seth Faison, U.S. and China Agree on Pact to Fight Piracy, *N.Y. Times*, June 18, 1996, at A1. These events illustrate the political nature of the process. For example, the U.S. government has had to decide how its intellectual property negotiations with China fit in with respect to its overall trade relations with that country. Thus, notwithstanding the intellectual property disputes, the United States has repeatedly decided to renew China's Most Favored Nation trading status. See Myles S. Getlan, Comment, TRIPS and the Future of Section 301: A Comparative Study in Trade Dispute Resolution, 34 *Colum. J. Transnat'l L.* 173 (1995). On the other hand, the United States at one point reportedly tied its support for China's bid to join the GATT (now WTO) to improvement in China's intellectual property protection. See, e.g., Thomas L. Friedman, China Faces U.S. Sanctions in Electronic Copyright Piracy, *N.Y. Times*, July 1, 1994, at D2 (“American officials made clear today that unless the Chinese resolve the piracy matter, the Clinton Administration will not support China's bid for membership in the General Agreement on Tariffs and Trade.”).

The [extraterritorial] construction claimed by the plaintiff would confer on patentees not only rights of property, but also political power, and enable them to embarrass the treaty-making power in its negotiations with foreign nations, and also to interfere with the legislation of Congress when exercising its constitutional power to regulate commerce.²⁹⁵

Indeed, the Court viewed the separation-of-powers concern as sufficiently strong that it expressed doubt about the very *constitutionality* of an extraterritorial construction of the patent laws.²⁹⁶ Although the Court's constitutional analysis may be antiquated, its structural concerns, and its corresponding approach to statutory construction, are not. The Ninth Circuit's recent *Subafilms* decision,²⁹⁷ for example, articulated similar concerns, and employed a similar approach, in the copyright area. In reaffirming that copyright law does not apply extraterritorially, the court there, after describing the international law regime for intellectual property and certain actions by Congress with respect to that regime, stated: "[W]e think it inappropriate for the courts to act in a manner that might disrupt Congress's efforts to secure a more stable international intellectual property regime unless Congress otherwise clearly has expressed its intent."²⁹⁸

The separation-of-powers concern emphasized in those cases is highlighted by what has happened in the area of trademark law. The circuits all use some form of balancing approach, which they have created without any statutory guidance. This approach differs to some extent from court to court. There is a circuit conflict, for example, regarding the degree of effect that the foreign conduct must have on U.S. commerce before it can be reached by the Lanham Act.²⁹⁹ The balancing approach also has led to a number of decisions applying federal trademark law to situations where all of the potential consumer confusion is outside the United States.³⁰⁰ It is at least questionable whether Congress intended to prevent such harms.³⁰¹ Indeed, as Robert Alpert has explained, instead of serv-

295. *Brown v. Duchesne*, 60 U.S. (19 How.) 183, 197 (1857).

296. *Id.* at 198.

297. 24 F.3d 1088 (9th Cir. 1994) (en banc).

298. *Id.* at 1097.

299. See *supra* note 126 and accompanying text.

300. See *supra* note 130 and accompanying text.

301. See Alpert, *supra* note 130, at 149 ("There is no American interest in preventing deception in foreign countries. . . . [B]y applying the [Lanham] Act to activities occurring

ing the congressional goal of preventing unfair competition, extra-territorial application of the Lanham Act may actually *promote* it:

Ironically, the enforcement of the Lanham Act under these circumstances potentially fosters unfair competition, since conduct prohibited under the Lanham Act may be permitted under that foreign jurisdiction's own laws. Exporters from the United States may find themselves at a competitive disadvantage.³⁰²

In any event, regardless of whether the judicial decisions are defensible on policy grounds, they involve the exercise by the courts of a substantial amount of discretion, in an area largely outside both their expertise and constitutional prerogatives.

4. *Law-by-Law Approach*

Acknowledging that "[c]ase-by-case balancing is a bad idea,"³⁰³ Professor Kramer recently suggested that courts instead engage in what he calls "gap filling."³⁰⁴ This would involve, he says, "balanc[ing] U.S. and foreign interests on a statute-by-statute basis and read[ing] specific limitations into particular statutes."³⁰⁵

Kramer's gap filling proposal is not entirely clear. Because he is a strong critic of the presumption against extraterritoriality, he presumably views his proposal as an alternative to the presumption. In other words, courts would interpret the extraterritorial reach of each statute without any predisposition towards a territorial construction. Read this way, Kramer's proposal seems to raise many of the separation-of-powers concerns associated with case-by-case balancing. As Kramer acknowledges, "Congress seldom thinks about questions of extraterritoriality."³⁰⁶ In light of this, how realistic is it to think that courts can, without relying on any interpretive presumption, generally discern the existence and scope of extraterritorial intent? Kramer suggests a balancing of interests, but why are courts any more equipped to do this, and why is it any

in a foreign jurisdiction, the Act inhibits American competition by interfering in a market ultimately operating under a different set of rules."); cf. 3 Nimmer on Copyright, *supra* note 8, § 12.04[A][3][b], at 12-91 ("It is perverse to construe Congress' intention [in the Copyright Act] as holding liable a person who authorizes an activity abroad that is perfectly legal abroad.") (footnotes omitted).

302. Alpert, *supra* note 130, at 145.

303. Kramer, *Extraterritorial Application*, *supra* note 6, at 758.

304. *Id.* at 757.

305. *Id.* at 758.

306. *Id.* at 757.

more legitimate for them to do so, on a statute-by-statute basis than on a case-by-case basis? More fundamentally, why is it proper to assume that statutes generally have an extraterritorial "gap" that needs to be filled?

Consider the example of Title VII, before the post-*Aramco* amendment. How is one to describe the U.S. interests associated with that statute? As protecting against discrimination in the U.S. marketplace? As protecting against discrimination against U.S. citizens, regardless of where the discrimination occurs? As protecting against discrimination by U.S. companies, again regardless of location? Similarly, how is one to describe the foreign interests that should be considered? Only those foreign interests specifically favoring the discrimination in question? Or also foreign interests in having regulatory control within their territory? And how is a court to balance these interests? Kramer's proposal does not help us answer these questions.³⁰⁷

There is a weaker form of Kramer's proposal that is somewhat more appealing. This is simply to allow for the possibility that some statutes, *by the subject of what they purport to regulate*, are extraterritorial. Read this way, Kramer's proposal would require at most a modification of the *Aramco* test to take account of not only the language of a statute but also its subject matter *in deciding whether the presumption against extraterritoriality has been overcome*.³⁰⁸

This approach is in fact what the courts have long done in the area of criminal law. The Supreme Court has held that extraterritorial intent may be inferred from "criminal statutes which are, as a class, not logically dependent on their locality for the Govern-

307. Kramer's proposal thus suffers from the problems typically associated with a "purposive" approach to statutory construction. As Professor Sunstein has noted, these problems include the following: "There will not be one but many purposes in any statute; these purposes will sometimes conflict with one another; legislators will have complex and conflicting views on purposes; the purposes could be described at different levels of generality; and purposes will have been compromised and traded off in complex ways." Sunstein, *supra* note 210, at 427. The purposive approach to statutory construction was a prominent feature of the "legal process" school of jurisprudence during the 1950s and 1960s. See, e.g., Henry M. Hart, Jr. & Albert M. Sacks, *The Legal Process: Basic Problems in the Making and Application of Law* 1374-80 (1958 Tentative Draft) (William N. Eskridge & Philip P. Frickey eds., 1994).

308. It is possible that this approach would not require any modification of the *Aramco* test. At least one circuit court has construed *Aramco* as requiring merely that there be some clear indication of extraterritorial intent, not that the indication appear in the plain language of the statute. See *Kollias v. D & G Marine Maintenance*, 29 F.3d 67, 72-73 (2d Cir. 1994).

ment's jurisdiction, but are enacted because of the right of the Government to defend itself against obstruction, or fraud wherever perpetrated."³⁰⁹ As a result, lower courts have concluded that a number of criminal statutes apply to extraterritorial conduct despite the absence of clear statutory language to that effect.³¹⁰ A good example is *United States v. Pizzarusso*.³¹¹ There, the court held that a criminal statute prohibiting false statements in connection with U.S. visa applications applied to conduct abroad, notwithstanding the absence of a clear statement to that effect in the statute. The court explained: "In the ordinary course of events we would naturally expect false statements in visa applications to be made outside the territorial limits of the United States. This would seem to overcome the strong presumption that the Congress did not intend the statute to apply extraterritorially."³¹²

This analysis may help reconcile the admiralty, antitrust, and securities law decisions, in which courts in recent years appear to have ignored the presumption against extraterritoriality, with decisions, like *Aramco*, affirming the presumption. Admiralty laws, because they concern conduct on the seas, perhaps inherently are addressed to conduct that may occur outside of the U.S. territory.³¹³ This may be the reasoning behind Justice Scalia's recent suggestion that the admiralty cases are in fact consistent with the presumption against extraterritoriality.³¹⁴ As for antitrust and securities laws, they arguably are designed to protect the U.S. economy as a whole, and thus impliedly may be designed to address external as well as internal conduct.³¹⁵ Another important aspect of antitrust and securities laws, as well as criminal laws, is that they tend to involve an all-or-nothing choice by U.S. courts:

309. *United States v. Bowman*, 260 U.S. 94, 98 (1922).

310. See, e.g., *United States v. Larsen*, 952 F.2d 1099, 1100 (9th Cir. 1991) ("Congressional intent to attach extraterritorial application 'may be inferred from the nature of the offenses and Congress' other legislative efforts to eliminate the type of crime involved.'") (citations omitted).

311. 388 F.2d 8 (2d Cir. 1968).

312. *Id.* at 9.

313. See, e.g., *United States v. Flores*, 289 U.S. 137, 155-57 (1933) (explaining that usual territorial presumption was inapplicable to statute regulating crimes committed on U.S. vessels).

314. See *Hartford Fire*, 509 U.S. at 815-16 (Scalia, J., dissenting).

315. See, e.g., *Shearson/American Express, Inc. v. McMahon*, 482 U.S. 220, 241 (1987) ("Antitrust violations generally have a widespread impact on national markets as a whole, and the antitrust treble-damages provision gives private parties an incentive to bring civil suits that serve to advance the national interest in a competitive economy.").

either U.S. law applies or the case is dismissed.³¹⁶ This is because of the longstanding rule that U.S. courts will not apply the penal, tax, or regulatory laws of other countries.³¹⁷ The inability to apply foreign law in these situations may increase the perceived need to apply U.S. law extraterritorially.³¹⁸

Even this more relaxed version of the presumption against extraterritoriality tends to support a territorial approach to intellectual property law. Although intellectual property laws, like most laws, are designed to benefit society in general, they do so by conferring particular property rights on individuals and companies. As stated in the preamble to the TRIPS agreement, "intellectual property rights are private rights."³¹⁹ Thus, for example, the civil provisions of the U.S. intellectual property laws, unlike the civil provisions of the antitrust and securities laws, are enforced entirely by private lawsuits. Nor is there anything about the nature of intellectual property protection that suggests any clear desire by Congress to regulate foreign conduct. Unlike the problem of visa fraud at issue in *Pizzarusso*, for example, neither the type of activity nor the type of harm being regulated by the intellectual property laws are inherently extraterritorial. Moreover, unlike for many of the other laws that are applied extraterritorially, there is some support for the application of foreign intellectual property laws by U.S. courts.³²⁰ As discussed below, this possibility reduces the need for applying intellectual property laws extraterritorially.

V. ALTERNATE APPROACHES TO REACHING FOREIGN CONDUCT

If U.S. intellectual property laws are not to be applied extraterritorially, what is to be done about the problem of foreign infringements that harm U.S. right holders or otherwise have an effect in or connection with the United States? One answer, of course, is that the right holder could bring an action in the country where the infringing conduct takes place. But in some situations this will

316. See Frederick K. Juenger, *Constitutional Control of Extraterritoriality?: A Comment on Professor Brilmayer's Appraisal*, 50 *Law & Contemp. Probs.* 39, 41 (1987); Maier, *supra* note 41, at 290.

317. See Restatement (First) of Conflict of Laws, *supra* note 45, §§ 610, 611.

318. Cf. Lowenfeld, *General Course*, *supra* note 265, at 30 ("[C]hoice of law plays a kind of mediating role among the laws of the States touched in some way by the transaction or controversy. When the opportunity to engage in choice of law is absent, the mediating role is absent as well.").

319. TRIPS, *supra* note 216, pmbl.

320. See *infra* notes 380-387 and accompanying text.

prove to be unduly burdensome or unavailing. There are, it turns out, other possibilities that do not involve abandonment by the judiciary of the territoriality of intellectual property. In particular, a sufficient remedy might be found through a combination of (a) political branch action, (b) application of the principles of contributory infringement, and (c) increased receptivity of U.S. courts to foreign intellectual property law claims.³²¹

A. *Political Branch Action*

To the extent that extraterritorial application of U.S. intellectual property law is desirable, one alternative to judicial action is, of course, political branch action. This action could take a variety of forms. It could, for example, take the form of legislation. As discussed, this option is nicely illustrated by the *Aramco* decision and Congress's reaction to it. A similar illustration in the intellectual property area is Congress's response to the *Deepsouth* decision. In *Deepsouth*, the Supreme Court held that U.S. patent law did not apply to the manufacture and sale in the United States of components for assembly abroad, even though an assembly of the compo-

321. Another conceivable option might be suing directly under an international intellectual property treaty to which the United States is a party. These treaties, however, may not be self-executing, in which case they would not be enforceable by themselves as U.S. law. See, e.g., *Carter v. Helmsley-Spear, Inc.*, 71 F.3d 77, 82-83 (2d Cir. 1995) (holding that Berne Convention is not self-executing). See generally Restatement (Third) of Foreign Relations Law, *supra* note 39, § 111(3) (distinguishing between self-executing and non-self-executing treaties). There is some division in the courts regarding whether the Paris Convention is self-executing. Compare *Mannington Mills, Inc. v. Congoleum Corp.*, 595 F.2d 1287, 1298 (3d Cir. 1979) (non-self-executing), and *Ortman v. Stanray Corp.*, 371 F.2d 154, 157 (7th Cir. 1967) (same), with *Vanity Fair Mills, Inc. v. T. Eaton Co.*, 234 F.2d 633, 640 (2d Cir. 1956) (stating that the plaintiff "would appear to be correct" in asserting that the Convention is self-executing), and *Davidoff Extension, S.A. v. Davidoff Int'l, Inc.*, 612 F. Supp. 4, 8 (S.D. Fla. 1984) (relying on *Vanity Fair* for the proposition that the Convention is self-executing), *aff'd*, 774 F.2d 1178 (11th Cir. 1985). There is also some division in the courts regarding whether section 44(b) of the Lanham Act, 15 U.S.C. § 1126(b), incorporates the substantive provisions of the Paris Convention. See *General Motors Corp. v. Arriortua*, 948 F. Supp. 684 (E.D. Mich. 1996) (collecting cases). But even if the Convention is self-executing or has been incorporated into the Lanham Act, it probably does not create, as a matter of U.S. law, any rights with respect to infringements occurring outside the United States. See *Vanity Fair Mills*, 234 F.2d at 639-41. A litigant in a case involving foreign conduct might attempt to get around these limitations by relying on an intellectual property treaty not as U.S. law, but rather as the law of the country where the conduct occurred. This would require that the country be a party to the treaty and have incorporated the treaty into its domestic law, either by recognizing the treaty to be self-executing or by passing implementing legislation. See *id.* at 641. It would also require overcoming certain jurisdictional and procedural obstacles to the application of foreign law in U.S. courts. See *infra* text accompanying notes 362-379.

nents in the United States would have infringed the patent.³²² Twelve years later, in 1984, Congress amended the patent statute to overrule the specific holding of *Deepsouth*.³²³ Although this amendment has not been the subject of much case law, a few courts have found infringement where components are manufactured domestically for final assembly into infringing products abroad.³²⁴ They have done so in the light of specific guidance from Congress and thus have not found themselves mired in uncertain balancing tests or guesswork about legislative intent. As one court recently stated, the amendment “is a specific and targeted exception to the fact that patent protection generally extends only within the United States.”³²⁵

Similarly, if Congress wishes to apply copyright or trademark law to govern certain forms of extraterritorial conduct, it can amend the statutes to make this intent clear.³²⁶ Indeed, Congress has already extended these laws to one situation that has been described by some courts as extraterritorial—the situation of imports entering the United States. In both the copyright statute and the trademark statute, as well as in the patent statute, Congress has included protection against infringing imports.³²⁷ In addi-

322. See *supra* notes 82-87 and accompanying text.

323. See 35 U.S.C. § 271(f). This amendment “makes it an infringement to supply components of a patented invention . . . that are to be combined outside the United States.” Section-by-Section Analysis of H.R. 6286, Patent Law Amendments of 1984, 130 Cong. Rec. 28,069, 28,069 (1984).

324. See, e.g., *T.D. Williamson, Inc. v. Laymon*, 723 F. Supp. 587 (N.D. Okla. 1989); *Syntex (U.S.A.), Inc. v. Paragon Optical, Inc.*, 7 U.S.P.Q.2d (BNA) 1001 (D. Ariz. 1987).

325. *Aerogroup Int’l, Inc. v. Marlboro Footworks, Ltd.*, 955 F. Supp. 220, 232 (S.D.N.Y. 1997).

326. See 3 Nimmer on Copyright, *supra* note 8, § 12.04 [A][3][b], at 12-91 n.98 (stating that, “if Congress is dissatisfied with the [non-extraterritoriality of the copyright laws], it can reshape the copyright laws, as it did the patent laws following its dissatisfaction with *Deepsouth*”).

327. See 17 U.S.C. § 602 (copyright); 15 U.S.C. § 1124 (trademark); 35 U.S.C. § 271(a), (g) (patent); see also 19 U.S.C. § 1337 (Tariff Act provision allowing for relief through International Trade Commission against, among other things, imports that infringe intellectual property rights); 19 U.S.C. § 1526 (Tariff Act provision protecting against certain imports that infringe U.S. trademarks); *Parfums Givenchy, Inc. v. Drug Emporium, Inc.*, 38 F.3d 477, 481 (9th Cir. 1994) (copyright importation provision “in effect gives [the copyright distribution right] an extraterritorial scope”); *Subafilms, Ltd. v. MGM-Pathe Communications Co.*, 24 F.3d 1088, 1096 (9th Cir. 1994) (en banc) (noting same and stating that “[h]ad Congress been inclined to overturn the preexisting doctrine that infringing acts that take place wholly outside the United States are not actionable under the Copyright Act, it knew how to do so”). I agree with Professors Chisum and Ginsburg that protection against infringing imports, because it is focused on goods entering the U.S. territory, is more accurately viewed (in light of conventional definitions) as a territorial rather than extraterritorial regulation. See Donald Chisum, *Normative and Empirical Territoriality in*

tion, Congress, as noted above, included an extraterritorial provision in the new trade secrets legislation.³²⁸

Another form of political branch action is negotiation by the executive with foreign countries to improve foreign intellectual property protection. This can take the form of informal discussions, treaty negotiations, or unilateral threats. All of these forms of political branch action have been a prominent feature of the extraterritorial efforts by the U.S. government in recent years.³²⁹

A third possibility is the utilization by the Executive of international dispute settlement procedures, such as the procedures of the World Trade Organization. The United States can sue other countries in the World Trade Organization for violations of a variety of trade and other agreements, including the TRIPS agreement. If the United States prevails, and the violation is not remedied, the United States may be entitled to retaliate against the offending nation by suspending trade concessions or other obligations.³³⁰

It is possible that one or more of these forms of political branch action is needed to address special problems posed by new technologies, most notably cross-border infringements over the Internet. Indeed, a number of commentators have suggested that the current territorial intellectual property regime is ill-suited to address these problems.³³¹ Interestingly, however, these commentators do not deny that intellectual property law, both internationally and in the United States, is currently territorial. Nor do they suggest that the courts unilaterally expand U.S. intellectual property law to reach foreign conduct. Instead, they call for political branch action, such as the enactment of new legislation and the negotiation of new treaties.³³²

Intellectual Property: Lessons from Patent Law, 37 Va. J. Int'l L. 603, 607 (1997); Ginsburg, *supra* note 105 at 590.

328. See *supra* note 245 and accompanying text.

329. See *supra* text accompanying notes 281-294.

330. See Understanding on Rules and Procedures Governing the Settlement of Disputes, WTO Agreement, *supra* note 216, Annex 2, art. 22, 33 I.L.M. 1226, 1239-41 (1994).

331. See Dan L. Burk, Transborder Intellectual Property Issues on the Electronic Frontier, 6 Stan. L. & Pol'y Rev. 9 (1994); Paul Edward Geller, Conflicts of Laws in Cyberspace: Rethinking International Copyright in a Digitally Networked World, 20 Colum.-VLA J. L. & Arts 571 (1996); Jane C. Ginsburg, Global Use/Territorial Rights: Private International Law Questions of the Global Information Infrastructure, 42 J. Copyright Soc'y 318 (1995); David R. Johnson & David Post, Law and Borders—The Rise of Law in Cyberspace, 48 Stan. L. Rev. 1367 (1996).

332. For a discussion of recent treaty negotiations relating to the protection of digital works, see Pamela Samuelson, The U.S. Digital Agenda at WIPO, 37 Va. J. Int'l L. 369

B. *Contributory Infringement Doctrine*

Under each of the three principal areas of intellectual property law, liability extends not only to those who directly infringe the intellectual property rights, but also to certain “contributory” infringers.³³³ The patent statute expressly provides for liability for contributory infringement.³³⁴ In the copyright and trademark areas, courts have applied common-law contributory infringement principles.³³⁵

The wording of the tests for contributory infringement vary to some extent between patent, copyright, and trademark law. The patent statute provides:

(b) Whoever actively induces infringement of a patent shall be liable as an infringer.

(c) Whoever sells a component of a patented machine, manufacture, combination or composition, or a material or apparatus for use in practicing a patented process, con-

(1997). Although the appropriate political-branch response to infringement issues in cyberspace is beyond the scope of this Article, it is important to keep several things in mind in considering this issue. First, to echo Professor Hardy, it should not be *assumed* that just because the technology is new we automatically need new legal approaches. See I. Trotter Hardy, *The Proper Legal Regime for “Cyberspace,”* 55 U. Pitt. L. Rev. 993 (1994). Second, even if a territorial approach is ill-suited to address infringements in cyberspace, this does not mean that it is ill-suited for the vast majority of other intellectual property infringement issues that come up. Third, with respect to cyberspace, there is, in a physical sense, no there, there. People do not physically do things in cyberspace. Rather, they do things in the geographic space where their computers are located, and these things may electronically produce effects in other geographic locations. As a result, analogies to places like the high seas or Antarctica are imperfect at best. Cf. Matthew R. Burnstein, Note, *Conflicts on the Net: Choice of Law in Transnational Cyberspace*, 29 Vand. J. Transnat’l L. 75 (1996) (suggesting, among other things, the high seas and Antarctica as possible models for regulating cyberspace). Finally, it is quite possible that some of the problems identified by commentators may be solved by technology rather than by law. For example, if technological changes allow users of the Internet to limit access to their messages and web sites to users in particular countries, this may substantially reduce one of the central problems identified by commentators as a reason for questioning the territorial approach—the problem of unintended worldwide transmissions.

333. There are a variety of forms of conduct that fall within or are related to the concept of contributory infringement, including inducement and aiding and abetting. See Restatement (Third) of Unfair Competition, *supra* note 115, § 27.

334. See 35 U.S.C. § 271(b), (c).

335. There is some express support in the Copyright Act for the application of contributory infringement principles. The Act not only gives copyright owners exclusive rights to do various things with the copyrighted material, but also gives them the exclusive right “to authorize” others to do those things. See 17 U.S.C. § 106; see also *GB Mktg. USA, Inc. v. Gerolsteiner Brunnen GmbH & Co.*, 782 F. Supp. 763, 772 (W.D.N.Y. 1991) (“Congress’s use of the phrase ‘to authorize’ was intended to establish the liability of a ‘contributory infringer . . .’”).

stituting a material part of the invention, knowing the same to be especially made or especially adapted for use in an infringement of such patent, and not a staple article or commodity of commerce suitable for substantial noninfringing use, shall be liable as a contributory infringer.³³⁶

In the copyright area, contributory infringement applies where "one who, with knowledge of the infringing activity, induces, causes or materially contributes to the infringing conduct of another."³³⁷ In trademark law, the courts find contributory infringement where "a manufacturer or distributor intentionally induces another to infringe a trademark, or . . . continues to supply its product to one whom it knows or has reason to know is engaging in trademark infringement."³³⁸

In the international context, these contributory infringement tests mean, among other things, that foreign sellers can be held liable if they know or have reason to know that their products are likely to be brought into the United States and result in an infringement.³³⁹ This liability is still territorial in that some act of direct infringement must occur within the U.S. territory.³⁴⁰ Of course, it is also to some extent extraterritorial in that it reaches foreign conduct. But this extraterritoriality is accomplished without generating many of the problems associated with other extraterritorial applications. Contributory infringement principles are widely perceived as being consistent with a territorial approach to choice of law and thus consistent with the international intellectual

336. 35 U.S.C. § 271(b), (c).

337. *Gershwin Publ'g Corp. v. Columbia Artists Mgmt., Inc.*, 443 F.2d 1159, 1162 (2d Cir. 1971) (footnote omitted).

338. *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 854 (1982); see also Restatement (Third) of Unfair Competition, *supra* note 115, § 27.

339. See, e.g., *Metzke v. May Dep't Stores Co.*, 878 F. Supp. 756, 760-61 (W.D. Pa. 1995) (patent); *GB Mktg. USA*, 782 F. Supp. at 772 (copyright); *Levi Strauss & Co. v. Textiles y Confecciones Europeas, S.A.*, 222 U.S.P.Q. (BNA) 971 (S.D.N.Y. 1983) (trademark).

340. See *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 365 U.S. 336, 341 (1961) ("[I]t is settled that if there is no direct infringement of a patent there can be no contributory infringement.") (emphasis deleted); *Cable/Home Communication Corp. v. Network Prods., Inc.*, 902 F.2d 829, 845 (11th Cir. 1990) ("Contributory [copyright] infringement necessarily must follow a finding of direct or primary infringement."). There is some debate among courts and commentators regarding whether an act of "authorization" can, by itself, constitute a direct infringement under the Copyright Act. See *supra* note 105; see also Phanesh Koneru, *The Right "to Authorize" in U.S. Copyright Law: Questions of Contributory Infringement and Extraterritoriality*, 37 IDEA: J.L. & Tech. 87 (1996) (describing the debate).

property law regime.³⁴¹ Moreover, these principles do not require courts to engage in the problematic balancing analysis associated with other extraterritorial applications, thereby avoiding some of the separation-of-powers problems and other concerns discussed above. Nevertheless, these principles do provide protection for intellectual property right owners in at least some of the situations in which the United States would have an interest in reaching foreign conduct.

The decision in *GB Marketing USA Inc. v. Gerolsteiner Brunnen GmbH & Co.*,³⁴² illustrates how contributory infringement principles can allow U.S. courts to reach foreign conduct affecting U.S. intellectual property interests. In that case, the defendant Gerolsteiner was alleged to have infringed the plaintiff's copyright in the label design for bottles of mineral water. Gerolsteiner, however, had manufactured the allegedly infringing bottles in Germany and had not itself distributed them in the United States. Rather, it had sold the bottles to another company (Miller), which in turn had distributed them in the United States. Thus, Gerolsteiner argued that the U.S. Copyright Act, being territorial in scope, was inapplicable to its conduct. In rejecting this argument, the court stated that it could not "ignore the fact that Gerolsteiner is alleged to have sold the bottles to Miller with the knowledge and intent that the water would then be exported to the United States and sold here."³⁴³ In addition, the court noted that there were allegations that Gerolsteiner "specifically prepared the bottles for the American market in various ways, such as the manner in which they were packed for shipment."³⁴⁴ Under these circumstances, concluded

341. There is widespread acceptance today of the "objective" territorial principle. This principle holds that a nation may regulate conduct occurring outside its borders *if one of the elements of the offense occurs within its territory*. Thus, for example, there is general agreement that a nation may regulate a person standing across its border and firing a gun into its territory. Contrary to the assertion of some U.S. commentators, see, e.g., Born, A Reappraisal, *supra* note 7, the objective territorial principle, in its widely accepted form at least, does *not* allow for the exercise of jurisdiction based merely on effects within the territory, unless such effects are an element of the offense. See 1 L. Oppenheim, *Oppenheim's International Law* 460 (Jennings & Watts eds., 9th ed. 1992); Harvard Research in International Law, *Jurisdiction with Respect to Crime*, 29 *Am. J. Int'l L.* 435, 480 (1935); R.Y. Jennings, *Extraterritorial Jurisdiction and the United States Antitrust Laws*, 33 *Brit. Y.B. Int'l L.* 146, 159-60 (1957); see also Ian Brownlie, *Principles of Public International Law* 301 (4th ed. 1990) ("Generally accepted and often applied is the objective territorial principle, according to which jurisdiction is founded when any *essential constituent element of a crime* is consummated on state territory.") (emphasis added).

342. 782 F. Supp. 763 (W.D.N.Y. 1991).

343. *Id.* at 773.

344. *Id.*

the court, the plaintiff had a viable claim for contributory infringement.

C. *Application of Foreign Law*

It is not particularly unusual for U.S. courts to apply foreign law. They have long done so, for example, in connection with transnational tort and contract actions.³⁴⁵ Indeed, the application of foreign tort law was, at least originally, considered a corollary to the once-dominant *lex loci delicti* rule for choice of law in tort cases.³⁴⁶ Modern, less territorial, approaches to conflict of laws are no less receptive to the application of foreign law. Indeed, if anything, the trend has been towards *greater* receptivity to applying foreign law in U.S. courts.³⁴⁷ Thus, for example, the rules concerning proof of foreign law have been relaxed in both the federal and state courts.³⁴⁸

To be sure, there are exceptions to the willingness of U.S. courts to apply foreign law. They generally refuse, for example, to apply foreign revenue and penal laws.³⁴⁹ They also refuse to apply foreign law inconsistent with certain fundamental public policies.³⁵⁰ But these are narrow exceptions, not the rule.

345. See generally Born, *International Civil Litigation*, supra note 3, at 616-80 (discussing choice of law in tort and contract cases); see also, e.g., *Mercier v. Sheraton Int'l, Inc.*, 981 F.2d 1345, 1357 (1st Cir. 1992) (noting that deciding cases under foreign law is "'a chore federal courts must often perform'") (quoting *Manu Int'l, S.A. v. Avon Prods., Inc.*, 641 F.2d 62, 68 (2d Cir. 1981)). In diversity cases, federal courts are required to look to state choice-of-law rules in determining whether to apply foreign law. See *Klaxon Co. v. Stentor Elec. Mfg. Co.*, 313 U.S. 487, 496 (1941). There does not appear to be any general bar in such rules to the application of foreign intellectual property laws.

346. See Restatement (First) of Conflict of Laws, supra note 45, § 384(1); Born, *International Civil Litigation*, supra note 3, at 628-29.

347. See, e.g., *Ortman v. Stanray Corp.*, 371 F.2d 154, 159 (7th Cir. 1967) (Fairchild, J., concurring) ("[T]he current trend is toward readier enforcement of claims arising under foreign laws.") (footnote omitted).

348. See Eugene F. Scoles & Peter Hay, *Conflict of Laws* 418-26 (2d ed. 1992).

349. See, e.g., *The Antelope*, 23 U.S. (10 Wheat.) 66, 123 (1825) (penal laws); *Moore v. Mitchell*, 30 F.2d 600, 602 (2d Cir. 1929) (revenue laws), aff'd on other grounds, 281 U.S. 18 (1930); see also *Banco Nacional de Cuba v. Sabbatino*, 376 U.S. 398, 448 (1964) ("[O]ur courts customarily refuse to enforce the revenue and penal laws of a foreign state, since no country has an obligation to further the governmental interests of a foreign sovereign.") (footnote omitted); Restatement (Second) of Conflict of Laws, supra note 58, § 89; Scoles & Hay, supra note 348, at 74-77.

350. See Scoles & Hay, supra note 348, at 72-73; Restatement (Second) of Conflict of Laws, supra note 58, § 90; see also Monrad G. Paulsen & Michael I. Sovern, "Public Policy" in the Conflict of Laws, 56 Colum. L. Rev. 969 (1956) (discussing meanings and significance of "public policy" in conflict of laws).

Despite this general and growing receptivity to applying foreign law, U.S. courts to date have been reluctant to adjudicate claims based on foreign intellectual property laws.³⁵¹ An example of this reluctance is the decision in *ITSI T.V. Products v. California Authority Of Racing Fairs*.³⁵² There, the court refused to hear a claim by a U.S. company against a Mexican company for violation of Mexican copyright law. The court said it could “discern no clear authority for exercising such jurisdiction.”³⁵³ The court also expressed concern about “enter[ing] the bramble bush of ascertaining and applying foreign law without an urgent reason to do so.”³⁵⁴ The court said that “[n]o such reason has been tendered in this case” and that the court would therefore decline to hear the case “as a matter of common sense and judicial self-restraint.”³⁵⁵ Finally, the court stated in a footnote that, even if it found subject matter jurisdiction over the case, it would dismiss the case on forum non conveniens grounds because “exercise of jurisdiction over such a claim would work an extreme hardship on the court in discerning and applying Mexican law.”³⁵⁶

This and similar decisions³⁵⁷ reflect an overly parochial view of the role of U.S. courts. These decisions ignore the fact that courts have long applied foreign law notwithstanding the difficulties associated with proof and translation. They also ignore the fact that rules and procedures already exist for addressing these difficulties.³⁵⁸ More fundamentally, they ignore the nature of today's

351. See Toraya, *supra* note 176, at 1165.

352. 785 F. Supp. 854 (E.D. Cal. 1992).

353. *Id.* at 866.

354. *Id.* (footnote omitted).

355. *Id.* at 867.

356. *Id.* at 866 n.20.

357. For decisions expressing similar views about the application of foreign intellectual property laws, see *Boosey & Hawkes Music Publishers, Ltd. v. Walt Disney Co.*, 934 F. Supp. 119, 124 (S.D.N.Y. 1996) (“[T]he courts in each of those countries are much more familiar with their own copyright laws than a United States court could be. Moreover, issues of copyright involve strong public policy issues—so strong in fact that the power to protect copyright in this country is provided for in our Constitution. . . . Thus, these issues are more appropriately decided in their respective countries.”) (citation omitted); *Packard Instrument Co. v. Beckman Instruments, Inc.*, 346 F. Supp. 408, 410-11 (N.D. Ill. 1972) (abstaining from exercising jurisdiction over foreign patent claims because of, among other things, possibility of friction with foreign nations, difficulty of determining foreign law, and “risks of distortion of meaning” associated with translation from foreign languages).

358. Rule 44.1 of the Federal Rules of Civil Procedure, for example, states that, in determining a question of foreign law, a court “may consider any relevant material or source, including testimony, whether or not submitted by a party or admissible under the Federal Rules of Evidence.” Fed. R. Civ. P. 44.1. This rule is designed to provide “flexible procedures for presenting and utilizing material on issues of foreign law.” Advisory

global marketplace, a marketplace in which U.S. individuals and businesses have an interest in having foreign courts consider claims under U.S. law—something that may be less likely if U.S. courts refuse to reciprocate.³⁵⁹

At least one commentator has suggested that courts should be cautious about applying foreign intellectual property laws because such laws implicate important social and economic policies.³⁶⁰ This point, however, could be made regarding almost any foreign law. It is far from clear that intellectual property laws differ so drastically from other laws in either their variety or importance to warrant a special caution here.³⁶¹ Moreover, it is not entirely clear why an application of such laws by a U.S. court would be inconsistent with the foreign state's interest in the laws. Certainly, it would seem to be more respectful of a country's policy interests to apply that country's laws to conduct occurring in its territory than to apply U.S. law to the conduct.

There are of course certain jurisdictional requirements that must be satisfied before a U.S. court can hear a claim based on foreign law. The court first of all must have personal jurisdiction. This requires both statutory authorization and consistency with the due process requirements of the Constitution.³⁶² But these are not difficult requirements to meet in view of the breadth of state long-arm statutes³⁶³ and the Supreme Court's permissive approach to due process requirements.³⁶⁴ Thus, for example, there would likely be

Committee Note to Fed. R. Civ. P. 44.1; see also, e.g., *Lehman v. Humphrey Cayman Ltd.*, 713 F.2d 339, 345 (8th Cir. 1983) ("Federal courts are quite capable of applying foreign law when required to do so . . .").

359. Cf. *The Bremen v. Zapata Off-Shore Co.*, 407 U.S. 1, 9 (1972) ("The expansion of American business and industry will hardly be encouraged if, notwithstanding solemn contracts, we insist on a parochial concept that all disputes must be resolved under our laws and in our courts.").

360. See *Toraya*, *supra* note 176, at 1179.

361. Cf. Mark S. Caldwell, Comment, *Accepting Jurisdiction in Foreign Patent Validity Suits*, 6 *Denv. J. Int'l L. & Pol'y* 191, 203 (1976) ("The similarities between patent laws permit a reasonable understanding regardless of the social and economic policies behind the foreign patent laws."); Chisum, *supra* note 327, at 610-11 ("The patentability requirements in other countries are usually more straightforward and less dependent on issues of historic fact than those in the United States.").

362. Born, *International Civil Litigation*, *supra* note 3, at 67-68.

363. Statutory authorization in many cases, even many transnational cases in the federal courts, comes from state statutes. See *id.* at 171-72; Fed. R. Civ. P. 4(k)(1).

364. As for the due process requirements, in cases where the defendant is a U.S. citizen or corporation, "general" jurisdiction over any claim against the defendant likely will be permissible in at least one state. See Born, *International Civil Litigation*, *supra* note 3, at 95-101. In cases involving foreign defendants, general jurisdiction may or may not be available, depending on the facts, but "specific" jurisdiction will be allowed as long as the

personal jurisdiction over a foreign defendant that engaged in preparatory activities in the United States that led to infringing conduct outside of the country. Indeed, some of the extraterritorial trademark decisions have found personal jurisdiction on this basis.³⁶⁵

Another potential hurdle is the requirement of subject matter jurisdiction. Claims under foreign intellectual property laws generally will not raise federal questions.³⁶⁶ As a result, federal courts typically will have to rely on diversity jurisdiction to hear these claims. But this basis for jurisdiction will be satisfied in at least some of the cases raising foreign intellectual property law issues, as diversity jurisdiction extends to cases between a U.S. party and a foreign party.³⁶⁷ Moreover, even where diversity is lacking, courts may in some cases be able to rely on supplemental jurisdiction.³⁶⁸

Assuming the existence of personal and subject matter jurisdiction, another potential obstacle is the doctrine of forum non conveniens. This is a discretionary doctrine that allows a court with personal and subject matter jurisdiction nevertheless to dismiss a case in order to "best serve the convenience of the parties and the

claim arises out of or relates to the defendant's contacts with the forum state, the defendant "purposely availed" itself of the benefits of the forum's law, and the exercise of jurisdiction is "reasonable." See *Burger King Corp. v. Rudzewicz*, 471 U.S. 462, 476 (1985); *Helicopteros Nacionales de Colombia, S.A. v. Hall*, 466 U.S. 408, 414 (1984).

365. See, e.g., *Wells Fargo & Co. v. Wells Fargo Express Co.*, 556 F.2d 406, 415-16 (9th Cir. 1977) (finding personal jurisdiction based on loan made within forum state).

366. See, e.g., *Mars, Inc. v. Kabushiki-Kaisha Nippon Conlux*, 24 F.3d 1368, 1376 (Fed. Cir. 1994) (rejecting argument that claim of infringement of foreign patent falls under 28 U.S.C. § 1338(b)).

367. Statutory diversity jurisdiction extends to, among other things, suits between "citizens of a State and citizens or subjects of a foreign state." 28 U.S.C. § 1332(a) (1994). Of course, the amount in controversy requirement (now \$75,000) must also be met. See 28 U.S.C.A. § 1332(a) (West Supp. 1997).

368. In civil actions in which they have original jurisdiction over one or more claims, federal district courts are authorized to exercise supplemental jurisdiction over "all other claims that are so related to the claims in the action within such original jurisdiction that they form part of the same case or controversy under Article III of the United States Constitution." 28 U.S.C. § 1367(a) (1994). For a decision exercising such supplemental jurisdiction over foreign intellectual property claims, see *Ortman v. Stanray Corp.*, 163 U.S.P.Q. (BNA) 331 (N.D. Ill. 1969), rev'd on other grounds, 437 F.2d 231 (7th Cir. 1971); see also *Packard Instrument Co. v. Beckman Instruments, Inc.*, 346 F. Supp. 403, 408 (N.D. Ill. 1972) ("For purposes of this opinion, it is assumed that subject matter jurisdiction over the foreign patent claim exists on the basis of pendent jurisdiction . . ."). But cf. *Mars*, 24 F.3d at 1375 (rejecting supplemental jurisdiction because foreign patent claims and federal claims did not stem from common nucleus of operative fact).

ends of justice.”³⁶⁹ In order to obtain a *forum non conveniens* dismissal, the defendant must show that there is an adequate alternate forum available and that various private and public interest factors weigh in favor of dismissal.³⁷⁰ Moreover, in deciding this issue, courts apply a presumption in favor of the plaintiff’s choice of forum, although this presumption is lessened for foreign plaintiffs.³⁷¹

Dismissal pursuant to this doctrine will certainly be appropriate in *some* cases raising foreign intellectual property law issues.³⁷² But this doctrine should not be considered an absolute bar to consideration of such issues. A dismissal on *forum non conveniens* grounds is supposed to be the exception, not the rule.³⁷³ Moreover, choice of law, although an important factor in the *forum non conveniens* determination,³⁷⁴ is not the only factor to be considered, and courts often refuse to dismiss cases on *forum non conveniens* grounds despite the existence of foreign-law issues.³⁷⁵

369. *Koster v. Lumbermans Mut. Cas. Co.*, 330 U.S. 518, 527 (1947); see also Paxton Blair, *The Doctrine of Forum Non Conveniens in Anglo-American Law*, 29 Colum. L. Rev. 1 (1929).

370. See *Piper Aircraft Co. v. Reyno*, 454 U.S. 235, 241 n.6 (1981).

371. See *id.* at 256. The lessening of the presumption for foreign plaintiffs may conflict in some cases with U.S. treaty obligations requiring “national treatment” with respect to access to U.S. courts. See, e.g., *Irish Nat’l Ins. Co. v. Aer Lingus Teoranta*, 739 F.2d 90, 91 (2d Cir. 1984) (holding that national treatment provision in Treaty of Friendship, Commerce and Navigation between the United States and Ireland requires application of same *forum non conveniens* standards to Irish plaintiff as a court would have applied to United States citizen). But cf. *Murray v. British Broad. Corp.*, 81 F.3d 287, 290-91 (2d Cir. 1996) (holding that national treatment provision in Berne Convention, which does not refer specifically to access to courts, does not require giving foreign plaintiffs same presumption as U.S. plaintiffs).

372. For recent cases dismissing intellectual property claims under the *forum non conveniens* doctrine, see, e.g., *Murray*, 81 F.3d 287; *Creative Tech., Ltd. v. Aztech System PTE, Ltd.*, 61 F.3d 696 (9th Cir. 1995); *Boosey & Hawkes Music Publishers, Ltd. v. Walt Disney Co.*, 934 F. Supp. 119 (S.D.N.Y. 1996). I agree with Professor Ginsburg that some courts have been too quick to invoke the *forum non conveniens* doctrine in transnational copyright infringement cases. See Ginsburg, *supra* note 105, at 588, 593-95, 599.

373. See, e.g., *R. Maganlal & Co. v. M.G. Chem. Co.*, 942 F.2d 164, 168 (2d Cir. 1991); *Lacey v. Cessna Aircraft Co.*, 862 F.2d 38, 45-46 (3d Cir. 1988); *In re Air Crash Disaster Near New Orleans*, 821 F.2d 1147, 1164 n.26 (5th Cir. 1987) (*en banc*), vacated on other grounds, 490 U.S. 1032 (1989).

374. Choice of law is one of the “public interest” factors to be weighed in the *forum non conveniens* analysis, see *Piper*, 454 U.S. at 241 n.6, and it is often given substantial weight, see Born, *International Civil Litigation*, *supra* note 3, at 337. But “it is well-established that the need to apply foreign law is not alone sufficient to dismiss under the doctrine of *forum non conveniens*.” *Maganlal*, 942 F.2d at 169.

375. See, e.g., *Manu Int’l, S.A. v. Avon Prods., Inc.*, 641 F.2d 62, 67-68 (2d Cir. 1981) (“[T]he need to apply foreign law is not in itself a reason to apply the doctrine of *forum non conveniens*, . . . and we must guard against an excessive reluctance to undertake the

Another procedural consideration is the act of state doctrine. This doctrine, in its classic formulation, holds that "the courts of one country will not sit in judgment on the acts of the government of another, done within its own territory."³⁷⁶ Importantly, the Supreme Court has made clear that this doctrine does not apply unless adjudication of the suit would require the court to declare invalid and thus ineffective as a rule of decision the official act of a foreign sovereign.³⁷⁷ Many cases raising issues under foreign intellectual property laws presumably will not require such action by the court. The defendant may not have a formal grant of intellectual property protection from the foreign government. Even when the defendant does have such a grant, the validity of the grant may not be an issue in the case.³⁷⁸ In any event, it is far from clear that the act of state doctrine even applies to government grants of intellectual property rights. Several courts have held, for example, that the doctrine is inapplicable to actions involving foreign patents, reasoning that the granting of a patent is a ministerial activity not contemplated by the doctrine.³⁷⁹

In sum, although there are procedural obstacles to the adjudication of foreign intellectual property law claims, none of them is

task of deciding foreign law, a chore federal courts must often perform.") (quoting *Olympic Corp. v. Soci  t   G  n  rale*, 462 F.2d 376, 379 (2d Cir. 1972)).

376. *Underhill v. Hernandez*, 168 U.S. 250, 252 (1897).

377. See *W.S. Kirkpatrick & Co. v. Environmental T  ctonics Corp.*, 493 U.S. 400, 409 (1990) ("The act of state doctrine does not establish an exception for cases and controversies that may embarrass foreign governments, but merely requires that, in the process of deciding, the acts of foreign sovereigns taken within their own jurisdictions shall be deemed valid.").

378. The Nimmer treatise on copyright law suggests that U.S. courts should be more receptive to applying foreign copyright law than foreign patent and trademark law because "under virtually all foreign copyright laws, there are no administrative formalities that must be satisfied in order to create or to perfect a copyright," and that, as a result, "[i]n adjudicating an infringement action under a foreign copyright law, there is, then, no need to pass upon the validity of acts of foreign governmental officials." 4 Nimmer on Copyright, *supra* note 8,    17.03, at 17-23. As one commentator has pointed out, this reasoning "oversimplifies the jurisdictional determination" by "assum[ing] that the foreign state is interested only in preserving the presumption of administrative correctness of its acts in infringement cases" and thereby gives too much weight "to a foreign state's interest in its trademark and patent laws, to the exclusion of its copyright laws." Toraya, *supra* note 176, at 1178-79. In addition, this reasoning appears to assume that all litigation involving foreign patent and copyright law will require a determination of the validity of a foreign government act, an assumption which, as noted above, is incorrect.

379. See *Mannington Mills, Inc. v. Congoleum Corp.*, 595 F.2d 1287, 1292 (3d Cir. 1979); *Forbo-Giubiasco S.A. v. Congoleum Corp.*, 516 F. Supp. 1210, 1217-18 (S.D.N.Y. 1981). But see *Vanity Fair Mills, Inc. v. T. Eaton Co.*, 234 F.2d 633, 646 (2d Cir. 1956) (refusing to apply Canadian trademark law where "[t]he crucial issue in th[e] case [was] the validity of defendant's Canadian trade-mark registration under Canadian trade-mark law").

insurmountable. Moreover, some modest case support already exists for the application of foreign intellectual property laws in U.S. courts. In *London Film Productions v. Intercontinental Committee, Inc.*,³⁸⁰ for example, the court agreed to hear claims under foreign copyright law in a diversity action brought by a British company against a U.S. company. After noting that it had personal jurisdiction over the defendant, the court endorsed the view that copyright actions are by their nature "transitory"³⁸¹ and thus may be brought in courts outside the country of infringement.³⁸² The court also rejected the defendant's argument that the court had an insufficient interest in the case to exercise jurisdiction. In marked contrast to the parochialism of the later *ITSI* decision, the court recognized that interests arise out of membership in a global community, in particular an interest in reciprocity:

Although plaintiff has not alleged the violation of any laws of this country by defendant, this Court is not bereft of interest in this case. The Court has an obvious interest in securing compliance with this nation's laws by citizens

380. 580 F. Supp. 47 (S.D.N.Y. 1984).

381. Transitory actions may be brought in any court that has personal jurisdiction over the defendant, whereas local actions may be brought only in a particular locality. "Attempts to define the distinction between local and transitory actions have been notoriously unsuccessful." 15 Charles A. Wright et al., *Federal Practice and Procedure* § 3822, at 205 (2d ed. 1986) (footnote omitted). For an example of a rather unhelpful definition, see *Black's Law Dictionary* 1499 (6th ed. 1990) ("Actions are 'transitory' when transaction on which they are based might take place anywhere, and are 'local' when they could not occur except in some particular place . . ."). For discussions of the origins of the distinction, see Brainerd Currie, *The Constitution and the Transitory Cause of Action*, 73 *Harv. L. Rev.* 36, 66-69 (1959); Arthur K. Kuhn, *Local and Transitory Actions in Private International Law*, 66 *U. Pa. L. Rev.* 301 (1918); Note, *Local Actions in the Federal Courts*, 70 *Harv. L. Rev.* 708, 708-09 (1957). In recent years, courts and commentators in this country have generally described intellectual property claims as "transitory" rather than "local." See, e.g., 2 Paul Goldstein, *Copyright: Principles, Law and Practice* § 16.3, at 683 (1989) ("Causes of action for copyright infringement are transitory and may be brought in any court that has jurisdiction over the defendant."); Kirios, *supra* note 176, at 64 ("There appears to be no [U.S.] case which has applied the local-action rule to patent or copyright infringement actions. The analogous common-law right of unfair competition has usually been considered transitory, and courts often determine title to copyrights, patents, and trademarks of sovereigns other than their own."). English courts, by contrast, apparently view intellectual property rights as "local" and thus do not allow adjudication in English courts of claims based on foreign intellectual property laws. See 2 Dicey and Morris on *The Conflict of Laws* 1516 (12th ed. 1993). For criticism of the English approach, see Geller, *International Copyright*, *supra* note 111, § 6[1][a][ii], at INT-216; G.W. Austin, *The Infringement of Foreign Intellectual Property Rights*, 113 *L.Q.R.* 321, 324-30 (1997); P.B. Carter, *Decisions of British Courts During 1990: Private International Law*, 61 *Brit. Y.B. Int'l L.* 386, 400-02 (1990).

382. *London Film Prods.*, 580 F. Supp. at 48-49 (citing Nimmer treatise).

of foreign nations who have dealings within this jurisdiction. A concern with the conduct of American citizens in foreign countries is merely the reciprocal of that interest. An unwillingness by this Court to hear a complaint against its own citizens with regard to a violation of foreign law will engender, it would seem, a similar unwillingness on the part of a foreign jurisdiction when the question arises concerning a violation of our laws by one of its citizens who has since left our jurisdiction.³⁸³

The court also noted that its application of foreign copyright law was unlikely to cause international friction, since the case would not likely require the court to pass judgment on the validity of acts by foreign government officials.³⁸⁴

At least two other courts have expressly allowed the adjudication of claims under foreign intellectual property laws.³⁸⁵ Other courts have endorsed this possibility in dicta.³⁸⁶ Moreover, in several cases in which courts have dismissed intellectual property cases on forum non conveniens grounds, the courts have assumed that *foreign* courts can hear claims under U.S. intellectual property law. These courts reasoned that, particularly in light of the national treatment principle and the corresponding territorial approach to intellectual property law, other courts, *like U.S. courts*, can apply foreign intellectual property laws in appropriate cases.³⁸⁷

383. Id. at 49.

384. Id.

385. See *P&D Int'l v. Halsey Publ'g Co.*, 672 F. Supp. 1429, 1434 (S.D. Fla. 1987) (refusing to dismiss copyright case "although foreign law will in all likelihood have to be applied to part of this action"); *Ortman v. Stanray Corp.*, 163 U.S.P.Q. (BNA) 331 (N.D. Ill. 1969) (exercising supplemental jurisdiction over foreign patent claims), rev'd on other grounds, 437 F.2d 231 (7th Cir. 1971); cf. *Curb v. MCA Records, Inc.*, 898 F. Supp. 586, 596 (M.D. Tenn. 1995) ("Because . . . issues of fact remain with regard to domestic infringement and authorization, the Court need not reach the question of whether domestic or foreign law may be applied to ultimately resolve the question of [copyright] infringement.").

386. See, e.g., *Creative Tech., Ltd. v. Aztech System PTE, Ltd.*, 61 F.3d 696, 702 (9th Cir. 1995) ("This Court has recognized the potential of American courts to entertain actions under the copyright laws of other nations."); *Ortman v. Stanray Corp.*, 371 F.2d 154, 159 (7th Cir. 1967) (Fairchild, J., concurring) (suggesting that district court could properly adjudicate foreign patent claims).

387. See, e.g., *Murray v. British Broad. Corp.*, 81 F.3d 287, 293 (2d Cir. 1996) (British courts); *Creative Tech.*, 61 F.3d at 702 (Singapore courts); *Intercontinental Dictionary Series v. De Gruyter*, 822 F. Supp. 662, 681 (C.D. Cal. 1993) (Australian courts); cf. *Vimar Seguros y Reaseguros, S.A. v. M/V Sky Reefer*, 115 S. Ct. 2322 (1995) (assuming in enforcing arbitration clause that foreign arbitration panel might apply U.S. Carriage of Goods by Sea Act).

VI. CONCLUSION

The interdependent nature of the world community has become increasingly apparent. Changes in communications, travel, and trade, to name a few things, have made the world a smaller place.³⁸⁸ Cross-boundary problems, ranging from environmental degradation to terrorism, have compelled nations to find new ways to work together. Those who attack territorial approaches to the application of U.S. law typically argue that territorialism is no longer compatible with this global interdependence. The irony, however, is that this very globalism may actually *increase* the need for territorialism. Indeed, the extraterritorial application of U.S. laws into other countries is arguably more parochial than global and more likely to undermine rather than promote international cooperation. To put it differently, as long as the nation-state continues to be the principal actor in international relations,³⁸⁹ global cooperation and development may actually *depend* on territorialism.³⁹⁰

This certainly appears to be true in the area of intellectual property law, where the international law framework continues to be heavily infused with territorial principles. Extraterritorial application of U.S. intellectual property law is inconsistent with this international framework. When accomplished by the judiciary, it is also

388. See generally Barry Friedman, *Federalism's Future in the Global Village*, 47 Vand. L. Rev. 1441, 1443-47 (1994).

389. As Professors Carter and Trimble note, "we still work in a world dominated by the power of the territorial state. States control borders, regulate conduct, and claim power over access to resources." Carter & Trimble, *supra* note 43, at 725; see also *United States v. Verdugo-Urquidez*, 494 U.S. 259, 275 (1990) ("For better or for worse, we live in a world of nation-states in which our Government must be able to 'functio[n] effectively in the company of sovereign nations.'") (alteration in original) (quoting *Perez v. Brownell*, 356 U.S. 44, 57 (1958)). Whether it is normatively desirable to continue thinking about the world, and jurisdiction in particular, in terms of traditional nation-states is a separate question, and one beyond the scope of this Article. Cf. Note, *Constructing the State Extraterritorially: Jurisdictional Discourse, The National Interest, and Transnational Norms*, 103 Harv. L. Rev. 1273, 1275 (1990) ("[A] shift from the dominant, national jurisdictional discourse to the alternative, transnational jurisdictional discourse might be desirable.").

390. Upon reading this, my colleague Hiroshi Motomura suggested to me a useful distinction between *empirical* globalism and *normative* globalism, and similarly between *empirical* territorialism and *normative* territorialism. Applying these terms to my analysis, one could say that many issues are becoming empirically global, but this does not necessarily mean that they are normatively global. Thus, for example, cultural differences are empirically subject today to tremendous global influence, but normatively there may be good arguments for retaining territorial cultural differences. For purposes of this Article, however, my principal normative claim concerns only the proper institutional role of the federal judiciary.

in tension with the division of power in our federal government. Indeed, as we have seen, the globalism that some commentators argue requires an abandonment of territorial rules itself heightens the separation-of-powers concerns underlying those rules.

There are better ways to cope with global interdependence than judicial abandonment of territoriality. Where necessary, the political branches can protect U.S. interests by entering into international agreements, adjusting legislation and trade policy, and pursuing international dispute resolution. Even in the absence of such political branch action, the courts presently have the ability to adjudicate many instances of international infringement, through the use of well-accepted contributory infringement principles and the consideration of claims based on foreign intellectual property law. For these reasons, a territorial approach to intellectual property rights still has a place in our age of globalism.

